FINANCIAL STATEMENTS

BOROUGH OF BATH

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Borough Council
Borough of Bath, Pennsylvania

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Bath, Pennsylvania, as of and for the year ended December 31, 2018, 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.

Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for

the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such 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, each major fund, and the aggregate remaining fund information of the Borough of Bath, Pennsylvania, as of December 31, 2018, and the respective changes in cash basis financial position, 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 modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the Borough of Bath, Pennsylvania's basic financial statements. The budgetary comparison information on page 28, which is the responsibility of management, is presented for purposes of additional analysis and is 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2019, on our consideration of the Borough of Bath, Pennsylvania's internal control over financial reporting and our tests of its compliance

with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Bath, Pennsylvania's internal control over financial reporting and compliance.

Emmaus, Pennsylvania
August 22, 2019

BOROUGH OF BATH
STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,401,675	$ 0	$ 1,401,675
Other current assets	0	0	0
Total Current Assets	1,401,675	0	1,401,675
Capital assets:			
Buildings, land & improvements	2,006,005	0	2,006,005
Park and recreation	76,354	0	76,354
Machinery & equipment	723,360	0	723,360
Total Capital Assets	2,805,719	0	2,805,719
Total Assets	4,207,394	0	4,207,394
LIABILITIES			
Current Liabilities:			
Current portion of long-term debt	114,731	0	114,731
Other liabilities	396	0	396
Total Current Liabilites	115,127	0	115,127
Noncurrent Liabilities:			
Long-term debt, net of current portion	763,776	0	763,776
Total Noncurrent Liabilities	763,776	0	763,776
Total Liabilities	878,903	0	878,903
NET POSITION			
Invested in capital assets, net of debt	1,927,212	0	1,927,212
Restricted	598,179	0	598,179
Unrestricted	803,100	0	803,100
Total Net Position	$ 3,328,491	$ 0	$ 3,328,491

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

BOROUGH OF BATH

STATEMENT OF ACTIVITIES - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	$ 441,190	$ 4,479	$ 4,548	$ 0
Public safety	543,114	22,322	13,296	0
Public works	670,531	308,354	79,666	31,440
Culture and recreation	20,740	1,500	0	0
Community development	0	0	1,000	0
Insurance, benefits and misc	68,012	0	11,721	0
Interest on debt	27,368	0	0	0
Total Governmental Activities	$ 1,770,955	$ 336,655	$ 110,231	$ 31,440
Business-type Activities				
None	$ 0	$ 0	$ 0	$ 0
Total Business-type Activities	$ 0	$ 0	$ 0	$ 0
Total	$ 1,770,955	$ 336,655	$ 110,231	$ 31,440

Property taxes, levied for general purposes
Property taxes, levied for fire protection
Property taxes, levied for debt service
Other taxes levied for general purposes
Grants, subsidies and contributions not restricted to specific programs
Licenses and permits
Fines and forfeits
Investment earnings
Miscellaneous income
Gain (loss) on disposal of assets

Total general revenues

Change in net position

Net position, January 1

Net position, December 31

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

BOROUGH OF BATH

STATEMENT OF ACTIVITIES - CASH BASIS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2018

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (432,163)	$ 0	$ (432,163)
(507,496)	0	(507,496)
(251,071)	0	(251,071)
(19,240)	0	(19,240)
1,000	0	1,000
(56,291)	0	(56,291)
(27,368)	0	(27,368)
$ (1,292,629)	$ 0	$ (1,292,629)
$ 0	$ 0	$ 0
$ 0	$ 0	$ 0
$ (1,292,629)	$ 0	$ (1,292,629)
706,517	0	706,517
14,092	0	14,092
63,262	0	63,262
373,996	0	373,996
0	0	0
47,872	0	47,872
12,113	0	12,113
27,595	0	27,595
37,641	0	37,641
0	0	0
$ 1,283,088	$ 0	$ 1,283,088
(9,541)	0	(9,541)
$ 3,338,032	$ 0	$ 3,338,032
$ 3,328,491	$ 0	$ 3,328,491

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

BOROUGH OF BATH
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Liquid Fuels	Fire Protection	Capital Projects	Debt Service	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$1,167,369	$ 90,820	$ 374	$ 143,112	$	$1,401,675
Other assets						0
Total Assets	$1,167,369	$ 90,820	$ 374	$ 143,112	$ 0	$1,401,675
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Payroll withholdings	$ 75	$	$	$	$	$ 75
Other liabilities	321					321
Total Liabilities	396	0	0	0	0	396
FUND BALANCES:						
Restricted for:						
Traffic impact	122,299					122,299
Renovations/improvements	31,486			143,112		174,598
Public works		90,820				90,820
Public safety			374			374
Committed to:						
Public safety	97					97
Capital projects	187,691					187,691
Community development	4,685					4,685
Assigned to:						
Road construction	10,087					10,087
Recreation	7,528					7,528
Unassigned	803,100					803,100
Total Fund Balances	1,166,973	90,820	374	143,112	0	1,401,279
Total Liabilities and Fund Balances	$1,167,369	$ 90,820	$ 374	$ 143,112	$ 0	$1,401,675

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

BOROUGH OF BATH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF ASSETS, LIABILITIES AND FUND
BALANCES TO THE STATEMENT OF NET POSITION - CASH BASIS
AS OF DECEMBER 31, 2018

Total Fund Balances - Governmental Funds	$ 1,401,279
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $2,805,719.	2,805,719
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of notes and installment loans payable of $878,507.	(878,507)
Total Net Position - Governmental Activities	$ 3,328,491

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

BOROUGH OF BATH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Liquid Fuels	Fire Protection	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Taxes	$1,080,513	$	$ 14,092	$	$ 63,262	$1,157,867
Licenses and permits	47,872					47,872
Fines and forfeits	12,113					12,113
Interest and rents	26,602	794	99	100		27,595
Intergovernmental revenues	69,250	72,421				141,671
Charges for service	336,655					336,655
Miscellaneous revenues	37,641					37,641
Total Revenues	1,610,646	73,215	14,191	100	63,262	1,761,414
EXPENDITURES						
Current						
General government	441,190					441,190
Public safety	526,216	3,048	13,850			543,114
Public works	457,228	145,053		68,250		670,531
Culture and recreation	20,740					20,740
Insurance, employee benefits and miscellaneous	68,012					68,012
Debt service						
Principal retirement					112,673	112,673
Interest & fiscal charges					27,368	27,368
Capital outlay	321,501			93,696		415,197
Total Expenditures	1,834,887	148,101	13,850	161,946	140,041	2,298,825
Excess (deficiency) of revenues over (under) expenditures	(224,241)	(74,886)	341	(161,846)	(76,779)	(537,411)
OTHER FINANCING SOURCES (USES)						
Operating transfers in				50,000	75,623	125,623
Operating transfers (out)	(113,579)	(12,044)				(125,623)
Net change in fund balances	(337,820)	(86,930)	341	(111,846)	(1,156)	(537,411)
Fund Balances, January 1	1,504,793	177,750	33	254,958	1,156	1,938,690
Fund Balances, December 31	$1,166,973	$ 90,820	$ 374	$ 143,112	$ 0	$1,401,279

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

BOROUGH OF BATH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Governmental Funds		$ (537,411)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those expenditures is not reported, but treated as a capital asset on the statement of net position. The capital outlay for the current year is $415,197.		415,197
Issuance of long-term debt (e.g. notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has an effect on net position. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of this transaction in the statement is shown below:		
Proceeds from issuance of debt	$ 0	
Repayment of note principal	112,673	112,673
Change in Net Position of Governmental Activities		$ (9,541)

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

BOROUGH OF BATH
STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Employee Pension Trust	Escrow	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	$ -0-	$ 47,727	$ 47,727
Investments, at fair value:			
Money funds	780		780
Fixed Income	10,791		10,791
Equities	12,080		12,080
Total investments	23,651	-0-	23,651
Accrued income	1		1
Total Assets	23,652	47,727	71,379
LIABILITIES			
Refundable escrow deposits		47,727	47,727
Total Liabilities	-0-	47,727	47,727
NET POSITION			
Restricted for pension benefits	$ 23,652	$ -0-	$ 23,652

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

BOROUGH OF BATH
STATEMENT OF CHANGES IN NET POSITION - CASH BASIS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Employee Pension Trust
ADDITIONS TO NET POSITION:	
Contributions,	
Employer	$ 11,721
Other	0
Total Contributions	11,721
Investment income,	
Net (depreciation) in fair value of investments	(1,389)
Interest and dividends	526
	(863)
Less: investment expenses	0
Net Investment Income (Loss)	(863)
Total Additions	10,858
DEDUCTIONS FROM NET POSITION:	
Benefits	22,844
Administrative expenses	1,018
Other	1,681
Total Deductions	25,543
Change in net position	(14,685)
Net position restricted for pension benefits, Beginning of year	38,337
End of year	$ 23,652

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

NOTE 1 Summary of Significant Accounting Policies

The accounting policies and accompanying financial statements of the Borough of Bath (the Borough) conform to the cash basis of accounting as applicable to government units. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Principles Determining Scope of Reporting Entity

The Borough Council, a seven member group, and a Mayor, is the level of government responsible for providing a full range of municipal services 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.

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

Government-wide and Fund Financial Statements

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Measurement Focus

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

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

a. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. No proprietary funds are presented since the Borough does not have any activities which meet this criteria.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Financial Statement Presentation

The Borough reports the following governmental fund types:

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

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

The Capital Improvements Project Fund is the Borough's capital project fund. Capital project funds account for resources used to construct or acquire fixed assets and capital improvements. Resources of the capital project funds are derived principally from, user fees, budget transfers and investment earnings.

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

The Borough also reports the following fiduciary fund types:

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

The Escrow Fund is established to administer resources received and held by the Borough in a custodial capacity for others. This Fund accounts for the deposits of developer escrows which is custodial in nature (assets equal liabilities) and does not involve measurement or results of operation.

Net Position

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

Fund Balance Reporting

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

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

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

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund Balance Reporting (Continued)

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

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

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

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

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

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

1) In accordance with the Borough Code and Borough procedures, at least thirty days prior to adoption, the Borough Manager submits to the Borough Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works and culture and recreation.

2) Public hearings are conducted to obtain taxpayer comment.

3) By December 31, the budget is legally enacted for all governmental funds through passage of an ordinance. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.

4) Each month the administration prepares a detailed budget report. The report cites the past month and year-to-date activity, as well as encumbrances and unencumbered balances by account.

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

6) Formal budgetary integration is employed as a management control device during the year for the General Fund.

7) The legally required and adopted budgets of the Borough are for the General Fund and the Liquid Fuels Fund.

8) Budgets for the General Fund and the Liquid Fuels Fund are adopted on a cash basis of accounting discussed above. (The basis of accounting for budget purposes is the same as for financial statement reporting purposes)

9) Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2018. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Cash and Investments

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

Investments are stated at market. See Note 2 for additional disclosures about investments.

Property Taxes Receivable

As a result of using the cash basis method of accounting, $45,356 of property taxes receivable as of December 31, 2018, have not been included as revenues.

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

January 1	-	Levy Date
February 1	-	Billing Date
February 1 - March 31	-	2% Discount Period
April 1 - May 31	-	Face Payment Period
June 1 - December 31	-	10% Penalty Period
January 1	-	Lien Date

Defined Contribution Pension Plan

The Borough participates in a defined contribution pension plan which covers all personnel employed on a full-time basis.

Transfers and Interfund Balances

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

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

NOTE 1 Summary of Significant Accounting Policies (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and the Liquid Fuels Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. There are no encumbrances as of December 31, 2018.

Total Columns on Combined Statements

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

NOTE 2 Deposits and Investments

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

DEPOSITS:

As of December 31, 2018, the carrying amount of the Borough's deposits is $1,449,402 and the bank balance is $1,489,858. Of the bank balance, $360,822, is covered by federal depository insurance (FDIC).

The Borough requires all deposits and investments to be covered by federal depository insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not fully insured by the Federal Deposit Insurance Corporation, $1,129,036 at December 31, 2018, are collateralized using the pooled asset method to 100% of value as required by Pennsylvania Law. The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name, not in the Borough's name, and are considered uncollateralized for credit risk purposes.

NOTE 2 Deposits and Investments (Continued)

INVESTMENTS:

Authorized types of investments for Borough funds are as follows:

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

Investments made by the Borough as of December 31, 2018, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

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

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

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

	Category 1	Category 2	Category 3	Fair Value/ Carrying Amount	Market
Fixed income	$	$	$ 10,791	$ 10,791	$ 10,791
Equities			12,080	12,080	12,080
Money funds			780	780	780
Total	$ -0-	$ -0-	$ 23,651	$ 23,651	$ 23,651

Note 3 Capital Assets

The following is a summary of the changes in the capital asset activity for the year ended December 31, 2018:

	Balance December 31, 2017	Increases	(Decreases)	Balance December 31, 2018
Governmental activities:				
Borough buildings, land and improvements	$1,607,871	$398,134	$ 0	$2,006,005
Park and recreation facilities	76,354	0	0	76,354
Machinery and equipment	706,297	17,063	0	723,360
Governmental activities capital assets	$2,390,522	$415,197	$ 0	$2,805,719

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

NOTE 4 Long-Term Debt

The following is a summary of the details of outstanding long-term debt as of December 31, 2018:

General Obligation Note, Series of 2016, in the aggregate principal amount of $380,000. Proceeds of the note will be used for capital improvement projects. The note requires annual payments of $60,657, including principal and interest at 2.75% over seven years.

General Obligation Note, Series of 2016, in the aggregate principal amount of $425,000. Proceeds of the note were used to purchase and renovations of 121-125 S. Walnut Street property. The note requires annual payments of $27,480, including principal and interest at 2.73% over twenty years.

General Obligation Note, Series of 2016, in the aggregate principal amount of $250,000. Proceeds of the note will be used for renovations of 121-125 S. Walnut Street property. The note requires annual payments of $38,916, including principal and interest at 2.73% over seven years.

The Borough entered into a lease-purchase agreement for the purchase of a 2016 CAT skid-steer loader. The capital lease requires annual payments of $12,044, including principal and interest at 2.75% over five years.

NOTE 4 Long-Term Debt (Continued)

The following is a summary of general obligation notes, and capital lease payable for the year ended December 31, 2018:

General Obligation Debt	Payable January 1,	Issued	Retired	Payable December 31,
Series of 2016	$ 330,786	$ -0-	$ 51,323	$ 279,463
Series of 2016	402,137	-0-	16,728	385,409
Series of 2016	213,219	-0-	33,817	179,402
Capital Lease	45,038	-0-	10,805	34,233
Total	$ 991,180	$ -0-	$112,673	$ 878,507

The annual debt service requirements to maturity for general obligation notes including interest are as follows, as of December 31, 2018:

Year Ending December 31,	Principal	Interest	Total
2019	$ 103,629	$ 23,424	$ 127,053
2020	106,451	20,602	127,053
2021	109,465	17,588	127,053
2022	112,506	14,547	127,053
2023	115,631	11,422	127,053
2024	19,248	8,232	27,480
2025	19,804	7,676	27,480
2026	20,352	7,128	27,480
2027	20,915	6,565	27,480
2028	21,478	6,002	27,480
2029	22,089	5,391	27,480
2030	22,700	4,780	27,480
2031	23,328	4,152	27,480
2032	23,964	3,516	27,480
2033	24,637	2,843	27,480
2034	25,319	2,161	27,480
2035	26,020	1,460	27,480
2036	26,738	742	27,480
	$ 844,274	$ 148,231	$ 992,505

NOTE 4 Long-Term Debt (Continued)

The annual debt sevice requirements to maturity for capital leases including interest are as follows, as of December 31, 2018:

Year Ending December 31,	Principal	Interest	Total
2019	$ 11,102	$ 942	$ 12,044
2020	11,408	636	12,044
2021	11,722	322	12,044
2022	1	0	1
	$ 34,233	$ 1,900	$ 36,133

NOTE 5 Defined Contribution Pension Plan

Plan Description, Contribution Information, and Funding Policy

The Borough provides pension benefits for all its eligible full-time employees through a single employer defined contribution money purchase pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All full-time employees are eligible to participate. The plan requires contributions in an amount equal to 7% of the employee's salary each year as defined by the plan. The plan is eligible to receive an allocation of state aid from the General Municipal Pension System Aid Program which must be used for pension funding. Any funding requirement in excess of aid must be paid by the Borough. The Borough's contributions for each employee and investment earnings allocated to each employee's account are fully vested after five years of continuous service. The Borough's contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Borough's current contribution requirement. Plan provisions and contribution requirements are established by, and may be amended by, the Borough Council, in accordance with Commonwealth of Pennsylvania law. The plan does not issue stand alone financial statements.

NOTE 5 Defined Contribution Pension Plan (Continued)

The Borough contributed $11,721, of which $11,721 was provided through the General Municipal Pension System Aid Program of the Commonwealth, to the plan for the year ended December 31, 2018.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the plan are prepared using the accrual basis method of accounting. Under this system, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Method Used to Value Investments

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

Plan Membership Information

Membership in the pension plan as of December 31, 2018, (the most recent date available) is as follows:

Active plan members	4
Terminated plan members entitled to benefits but not yet receiving them	0
Total	4

Investments

At December 31, 2018, the plan had the following investments in any one organization representing five percent or more of the Plan assets (other than investments issued or guaranteed by the U. S. Government) as follows:

Vanguard Total Int'l Stock Index Fd	$ 4,059
Vanguard Total Stock Mkt Index Fd	8,021
Vanguard Total Bond Mkt Index Fd	10,791

Note 6 Compensated Absences and Benefits

Accumulated unpaid vacation and sick pay benefits accrue based on length of service and employment. There was no material unused accrued vacation or sick pay benefits as of December 31, 2018. Also, in accordance with the provisions of Governmental Accounting Standards Board, no liability is recorded for the non-vested accumulated rights to receive vacation and sick pay benefits.

The Borough does not provide other postemployment benefits required to be disclosed in accordance with GASB.

Note 7 Litigation

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

NOTE 8 Contingencies

The Borough participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs including the year ended December 31, 2018, have not yet been conducted. Accordingly, the Borough's, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Borough expects such amounts, if any, to be immaterial.

NOTE 9 Deficit Fund Balances

No Funds of the Borough had a deficit fund balance at December 31, 2018.

The General Fund's; General Government, Public Safety, Public Works, Culture and Recreation, and Capital Outlay budget categories had expenditures in excess of appropriations for the year ended December 31, 2018.

Note 10 Risk Management

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

Note 11 Subsequent Events

Subsequent events have been evaluated through August 22, 2019, which was the date financial statements were available to be issued.

BOROUGH OF BATH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - CASH BASIS
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
REVENUES	Original	Final	Amounts	(Negative)
Taxes	$ 1,054,963	$ 1,054,963	$ 1,080,513	$ 25,550
Licenses and permits	37,506	37,506	47,872	10,366
Fines and forfeits	9,794	9,794	12,113	2,319
Interest and rents	20,771	20,771	26,602	5,831
Intergovernmental revenues	32,028	32,028	69,250	37,222
Charges for service	303,198	303,198	336,655	33,457
Miscellaneous revenues	0	0	37,641	37,641
Total revenues	1,458,260	1,458,260	1,610,646	152,386
EXPENDITURES				
Current				
General government	288,600	288,600	441,190	(152,590)
Public safety	484,071	484,071	526,216	(42,145)
Public works	439,287	439,287	457,228	(17,941)
Culture and recreation	16,500	16,500	20,740	(4,240)
Insurance, employee benefits & misc.	86,108	86,108	68,012	18,096
Debt service - principal retirement	101,835	101,835	0	101,835
Debt service - interest & fiscal charges	26,162	26,162	0	26,162
Capital outlay	0	0	321,501	(321,501)
Total expenditures	1,442,563	1,442,563	1,834,887	(392,324)
Excess (deficiency) of revenues over (under) expenditures	15,697	15,697	(224,241)	(239,938)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	0	0
Operating transfers (out)	0	0	(113,579)	(113,579)
Net change in fund balances	15,697	15,697	(337,820)	(353,517)
Fund Balances, January 1	0	0	1,504,793	1,504,793
Fund Balances, December 31	$ 15,697	$ 15,697	$ 1,166,973	$ 1,151,276

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Borough Council
Borough of Bath, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Bath, Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough of Bath, Pennsylvania's, basic financial statements and have issued our report thereon dated August 22, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Bath, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

France, Anderson, Basile & Capp, P.C.

Emmaus, Pennsylvania
August 22, 2019