BOROUGH OF BATH

Financial Statements,
Independent Auditor's Report
and Supplementary Information

December 31, 2019

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard, PA 18103

BOROUGH OF BATH
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C·R&Y CERTIFIED PUBLIC ACCOUNTANTS
CAMPBELL, RAPPOLD & YURASITS LLP

TARA L. BENDER, CPA, CSEP
JAMES F. BOVA, CPA
MARC A. BRINKER, CPA
MELISSA A. GRUBE, CPA, CSEP
DENNIS S. HELLER, CPA
WARREN R. HENDERSON, CPA
JOHN R. ZAYAITZ, CPA

DAWN C. ANDERSON, CPA
MICHELLE R. BITNER, CPA
ROXANNA M. BRANDLE, CPA
KYLE ELSENBAUMER, CPA
PAUL G. MACK, CPA, CFE
GREG MOSER, JR., CPA
NICHOLAS A. OTTOLINI, CPA
JASON L. SERFASS, CPA
HEIDI D. WOJCIECHOWSKI, CPA

INDEPENDENT AUDITOR'S REPORT

To the Members of the Borough Council
Borough of Bath
Bath, PA

Report on the Financial Statements

We have audited the accompanying modified-cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Bath, as of and for the year ended December 31, 2019, 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 modified cash basis of accounting described in Note 2; this includes determining that the modified 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 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 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.

610-435-7489 • www.crycpas.com • 1033 South Cedar Crest Boulevard, Allentown, PA 18103-5443
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified 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 Bath as of December 31, 2019, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Management has not presented the management's discussion and analysis that the Governmental Accounting Standards Board requires to supplement, although not to be a part of, the basic financial statements.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified-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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison on pages 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Borough of Bath’s basic financial statements. Management’s combining schedules on pages 35-36 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Budgetary comparison 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 such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020 on our consideration of the Borough of Bath's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Borough of Bath's 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's internal control over financial reporting and compliance.

Campbell, Foppold & Yurasits CPA

October 30, 2020

BOROUGH OF BATH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 1,481,852	$ -	$ 1,481,852
Other Investments	123,880	-	123,880
Total Current Assets	1,605,732	-	1,605,732
Noncurrent Assets:			
Land, Building and Improvements	2,067,594	-	2,067,594
Machinery and Equipment	791,096	-	791,096
Recreation	76,354	-	76,354
Total Noncurrent Assets	2,935,044	-	2,935,044
TOTAL ASSETS	$ 4,540,776	$ -	$ 4,540,776
LIABILITIES			
Current Liabilities:			
Accrued Expenses	$ 724	$ -	$ 724
Current Portion of Capital Lease Obligations	11,408	-	11,408
Current Portion of Long-Term Debt	71,830	-	71,830
Total Current Liabilities	83,962	-	83,962
Noncurrent Liabilities:			
Capital Lease Obligations	11,721	-	11,721
Long-Term Debt	523,086	-	523,086
Total Noncurrent Liabilities	534,807	-	534,807
TOTAL LIABILITIES	$ 618,769	$ -	$ 618,769
NET POSITION			
Invested in Capital Assets, Net of Related Debt	$ 2,316,999	$ -	$ 2,316,999
Restricted for:			
Capital Projects	126	-	126
Special Projects	299,211	-	299,211
Special Revenue	153,885	-	153,885
Unassigned	1,151,786	-	1,151,786
TOTAL NET POSITION	$ 3,922,007	$ -	$ 3,922,007

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

BOROUGH OF BATH
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Total
Governmental Activities:							
General Government	$ 683,965	$ 1,372	$ 10,749	$ -	$ (671,844)	$ -	$ (671,844)
Public Safety	122,516	37,834	14,153	-	(70,529)	-	(70,529)
Public Works	228,028	-	250,366	-	22,338	-	22,338
Cultural and Recreation	38,804	36,251	-	-	(2,553)	-	(2,553)
Interest on Long-Term Debt	24,858	-	-	-	(24,858)	-	(24,858)
Total Governmental Activities	1,098,171	75,457	275,268	-	(747,446)	-	(747,446)
Business Type Activities:							
Sanitation	250,164	308,015	-	-	-	57,851	57,851
Total Business-Type Activities	250,164	308,015	-	-	-	57,851	57,851
Total Primary Government	$ 1,348,335	$ 383,472	$ 275,268	$ -	$ (747,446)	$ 57,851	$ (689,595)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes, net					$ 769,020	$ -	$ 769,020
Property Taxes, levied for fire protection, net					13,178	-	13,178
Other Taxes, levied for general purposes, net					386,071	-	386,071
Licenses and Permits					47,649	-	47,649
Fines and Forfeits					24,573	-	24,573
Miscellaneous Income					2,889	-	2,889
Interest Income					39,731	-	39,731
Transfers In/(Out)					57,851	(57,851)	-
Total General Revenues, Special Items, Extraordinary Items, and Transfers					1,340,962	(57,851)	1,283,111
Change in Net Position					593,516	-	593,516
Net Position - Beginning					3,328,491	-	3,328,491
Net Position - Ending					$ 3,922,007	$ -	$ 3,922,007

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

BOROUGH OF BATH
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Major Fund	Non-Major Funds			
	General	Special Revenue	Capital Projects	Debt Service	Total
ASSETS					
Cash and Cash Equivalents	$ 1,327,841	$ 153,885	$ 126	$ -	$ 1,481,852
Other Investments	123,880	-	-	-	123,880
TOTAL ASSETS	$ 1,451,721	$ 153,885	$ 126	$ -	$ 1,605,732
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued Expenses	$ 724	$ -	$ -	$ -	$ 724
TOTAL LIABILITIES	724	-	-	-	724
FUND BALANCES					
Assigned	53,999	-	-	-	53,999
Restricted	123,880	153,885	126	-	277,891
Committed	121,332	-	-	-	121,332
Unassigned	1,151,786	-	-	-	1,151,786
TOTAL FUND BALANCES	1,450,997	153,885	126	-	1,605,008
TOTAL LIABILITIES AND FUND BALANCES	$ 1,451,721	$ 153,885	$ 126	$ -	$ 1,605,732

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

BOROUGH OF BATH
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 1,605,008
Amounts Reported for Governmental Activities in the Statement of Net Position - Modified Cash Basis are Different Because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $2,935,044.		2,935,044
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:		
Capital Lease Obligations	$ (23,129)	
Notes Payable	(594,916)	(618,045)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 3,922,007

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

BOROUGH OF BATH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Major Fund	Non-Major Funds			
	General	Special Revenue	Capital Projects	Debt Service	Total
REVENUES					
Taxes	$ 1,155,092	$ 13,178	$ -	$ -	$ 1,168,270
Licenses and Permits	47,649	-	-	-	47,649
Fines and Forfeitures	24,573	-	-	-	24,573
Interest and Rents	38,855	862	14	-	39,731
Intergovernmental Revenues	201,126	74,142	-	-	275,268
Charges for Services	75,457	-	-	-	75,457
Other Revenues	406,233	-	-	-	406,233
TOTAL REVENUES	1,948,985	88,182	14	-	2,037,181
EXPENDITURES					
General Government	790,656	-	-	-	790,656
Public Safety	109,069	13,447	-	-	122,516
Public Works	511,007	-	-	-	511,007
Cultural and Recreation	38,804	-	-	-	38,804
Debt Service - Principal Retirement	-	-	-	260,462	260,462
Debt Service - Interest	-	-	-	24,858	24,858
Capital Outlay	-	-	143,000	-	143,000
TOTAL EXPENDITURES	1,449,536	13,447	143,000	285,320	1,891,303
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	499,449	74,735	(142,986)	(285,320)	145,878
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	285,320	285,320
Operating Transfers Out	(215,425)	(12,044)	-	-	(227,469)
Total Other Financing Sources (Uses)	(215,425)	(12,044)	-	285,320	57,851
Net Change in Fund Balances	284,024	62,691	(142,986)	-	203,729
Fund Balances, January 1	1,166,973	91,194	143,112	-	1,401,279
FUND BALANCES, DECEMBER 31	$ 1,450,997	$ 153,885	$ 126	$ -	$ 1,605,008

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

BOROUGH OF BATH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Governmental Funds		$ 203,729
Amounts Reported for Governmental Activities in the Statement of Activities - Modified Cash Basis are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities - modified cash basis, the cost of those expenditures is not reported but treated as a capital asset on the statement of net position - modified cash basis		
Capital Outlay	532,325	
Less: Retirement of Fixed Asset	(403,000)	
		129,325
Repayments of capital leases is an expenditure in the governmental funds, but the repayment reduces capital lease liability in the statement of net position - modified cash basis		11,103
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets - modified cash basis		249,359
Change in Net Position of Governmental Activities		$ 593,516

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

BOROUGH OF BATH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS – PROPRIETARY FUND
DECEMBER 31, 2019

	Sanitation Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	$ -
Total Current Assets	-
TOTAL ASSETS	$ -
LIABILITIES	
Current Liabilities:	
Accrued Expenses	$ -
Total Current Liabilities	-
TOTAL LIABILITIES	-
NET POSITION	
Unrestricted	-
Total Net Position	-
TOTAL LIABILITIES AND NET POSITION	$ -

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

BOROUGH OF BATH
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION – MODIFIED CASH BASIS – PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Sanitation Fund
OPERATING REVENUES:	
Charges for Services	$ 308,015
Total Operating Revenues	308,015
OPERATING EXPENSES:	
Contractual Services	233,377
Collection Fees	5,826
Recycling	9,668
Supplies	1,293
Total Operating Expense	250,164
OPERATING INCOME	57,851
Income Before Transfers	57,851
Transfers Out	(57,851)
Change in Net Position	-
Total Net Position - January 1	-
TOTAL NET POSITION - December 31	$ -

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

BOROUGH OF BATH
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS –
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	$ 308,015
Cash Payment to Suppliers for Goods and Services	(250,164)
Net Cash Provided by Operating Activities	57,851
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Transfers Out	(57,851)
Net Cash Used from Noncapital Financing Activities	(57,851)
Net Decrease in Cash and Cash Equivalents	-
Cash and Cash Equivalents, January 1	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ -
Reconciliation of Operating Income to Net Cash Provided Operating Activities	
Operating Income (Loss)	$ 57,851
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities	-
Total Adjustments	-
Net Cash Provided by Operating Activities	$ 57,851

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

BOROUGH OF BATH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
DECEMBER 31, 2019

	Non-Uniform Pension	Agency Funds
ASSETS:		
Cash and Cash Equivalents - Restricted	$ -	$ 75,538
Investments - at Fair Value		
Cash and Sweep Balances	1,548	-
Common Stock	14,253	-
Fixed Income	10,414	-
Total Assets	$ 26,215	$ 75,538
LIABILITIES:		
Due to Depositors	$ -	$ 75,538
Total Liabilities	-	75,538
NET POSITION:		
Restricted	26,215	-
Total Liabilities and Net Position	$ 26,215	$ 75,538

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

BOROUGH OF BATH
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS –
ALL FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Non-Uniform Pension	Agency Funds
ADDITIONS:		
Contributions:		
Employer	$ 1,815	$ -
Plan Members	-	-
Total Contributions	1,815	-
Investment Earnings:		
Net Realized and Unrealized Gains	3,597	-
Interest and Dividends	670	-
Less: Investment Expenses	(18)	-
Total Investment Earnings	4,249	-
Total Additions	6,064	-
DEDUCTIONS:		
Administration	1,089	-
Benefit Payments	2,412	
Total Deductions	3,501	-
NET INCREASE	2,563	-
NET POSITION:		
Net Position, January 1	23,652	-
Net Position, December 31	$ 26,215	$ -

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

1. Entity

The Borough of Bath (the "Borough") was incorporated in 1856 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania ("Commonwealth").

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 the Borough as a reporting entity, management has addressed all potential component units for which the Borough may or may not be financially accountable, and as such, be includable within the Borough's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14 and No. 39, the Borough is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the Borough. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the Borough.

2. Summary of Significant Accounting Policies

The financial statements of the Borough of Bath have been prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) and is described more fully under Basis of Accounting and Measurement Focus. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Fund Accounting

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses, and other financing sources and uses. These various funds are summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Borough's basic financial statements consist of government-wide statements, including a statement of net position – modified cash basis and a statement of activities – modified cash basis, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Borough as a whole. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately in the government-wide financial statements from business-type activities which rely, to a significant extent on fees and charges for support.

The statement of net position – modified cash basis presents the financial condition of the governmental and business-type activity of the Borough at fiscal year-end. The statement of activities – modified cash basis presents a comparison between direct expenses and program revenues for the business-type activity of the Borough and for each function of the Borough's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Borough.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's enterprise fund are service charges sanitation. Operating expenses for the Borough's enterprise fund include collection costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting

For financial reporting purposes, the Borough's funds have been grouped by fund type and are presented in this report in the following manner:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Borough are financed. The acquisition, use and balances of the Borough's expendable financial resources and the related liabilities are accounted for through the following governmental funds:

- ***General Fund (Major Fund)*** - is used to account for all financial transactions applicable to the general operations of the Borough except for those required to be accounted for in another fund.

- ***Special Revenue Funds (Non-Major Funds)*** - are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The following are special revenue fund types:

  State Liquid Fuels Fund - is utilized to account for the financial activity of the Borough's motor vehicle fuel tax allocation from the Commonwealth of Pennsylvania.

  Fire Fund - is utilized to account for the financial activity of the Borough's fire tax revenue and its related expenditures.

- ***Capital Projects Fund (Non-Major Fund)*** - are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- ***Debt Service Fund (Non-Major Fund)*** - is used to account for the accumulation of resources for, and the payment of, principal and interest on general obligation debt supported by the full faith and credit of the Borough. The fund balance contains a deficit, which will decrease as the loan payments are made.

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types

Proprietary funds are used to account for the Borough's ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The Borough has three type of proprietary fund - the Enterprise Fund.

- ***Enterprise Fund*** - is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Borough has one Enterprise Fund described below.

  Sanitation Fund - is used to account for the administration of the collection and disposal of municipal waste and recycling materials in the Borough and is operated in a manner similar to a private business enterprise and is intended to be self-supporting.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the Borough's fiduciary fund types:

- ***Agency Funds*** - are used to account for funds held in escrow for other parties. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

- ***Pension Funds*** - are used to account for pension benefits for employees. The principal revenue sources for these funds are state aid, employer and employee contributions, and investment earnings. The Borough of Bath has one pension trust fund as described below:

  Non-Uniform Pension - is used to account for pension benefits for Borough employees. The principal revenue source for this fund is employer and employee contributions.

2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Management Focus

Basis of Accounting

Basis of accounting refers to the timing of recognition of revenues and expenditures or expenses in the financial statements regardless of the measurement focus. The modified cash basis of accounting is followed for all governmental, proprietary and fiduciary funds of the Borough. The modified cash basis differs from GAAP in that certain revenues and the related assets are recognized when received rather than when earned and certain expenditures or expenses are recognized when paid rather than when a liability is incurred. Modifications to the cash basis of accounting include fixed assets are capitalized, the recording of payroll withholdings when withheld from employees' pay and the recording of investments held (in the Pension Trust Fund) as assets. In addition, net unrealized gains and losses on investments are recorded as a result of changes in the fair value of investments, not when the investments are sold. The Statement of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Governmental Funds presents the results of the Borough's activities; it does not purport to present the net income or loss for the period.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are accounted for on a spending or "financial flow" measurement focus. This means the Borough has elected to report on a modified cash basis while reporting long-term indebtedness in the Debt Service Fund. Governmental fund-type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary funds and similar discretely presented component units are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with this activity are included on their statements of assets, liabilities, and net position. The reported fund equity is segregated into contributed capital and net position- modified cash basis. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in equity.

The Pension Trust Fund uses "income determination" as its measurement focus. Plan member contributions and employer contributions (including the portion, if any, funded by State Aid) are recognized in the period in which contributions are paid. Benefits and refunds are recognized when paid in accordance with the terms of the plan.

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting

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

- 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.

- Public hearings are conducted to obtain taxpayer comment.

- 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.

- 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.

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

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

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

- Budgets for the General Fund and State Liquid Fuels Fund are adopted on a cash basis of accounting discussed above.

- Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2019. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

2. Summary of Significant Accounting Policies (Continued)

Budgets and Non-GAAP Budgetary Basis of Accounting (Continued)

The Statements of Revenues Received, Expenditures Paid and Changes in Fund Balance - Modified Cash Basis - Budget and Actual present comparisons of legally adopted budgets with actual data. The budget has been prepared on the modified cash basis, which is the same basis of accounting used to prepare the financial statements as described more fully in Note 2. The Borough Council approves by a motion the total appropriations in the budget. Fund Balance and any revisions to the budget also require approval by Borough Council. There were no amendments to the budget as presented in the current year.

Cash and Investments

Cash and cash equivalents on the Statement of Net Position – Modified Cash Basis are considered to be cash on hand and demand deposits.

For the purpose of the proprietary funds, "Statement of Cash Flows – Modified Cash Basis," cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments with an original maturity of three months or less.

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 any established market, if any, are reported at estimated fair value. Insurance holdings, if any, are valued at reported contract values.

Interfund Transactions

Certain inter-fund transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Other inter-fund transactions are reported as transfers. Non-recurring or non-routine permanent transfers of net position are reported as residual transfers of net position. All other inter-fund transfers are reported as operating transfers.

Restricted Assets

Cash and investments have been restricted to the extent of escrows payable, pension reserves and specific uses.

2. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Borough's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Transfers

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. Transfers to the pension funds are quasi-external transactions.

Management Estimates

The preparation of financial statements prepared with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (Continued)

Government – Wide Fiduciary and Proprietary Fund Net Position

Net Position is divided into three components:

- Net investment in capital assets – consist of the historical cost of capital assets less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

- Restricted – consist of assets that are restricted by the Borough's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

- Unrestricted – all other net position is reported in this category.

Governmental Fund Balances

The fund balance of Governmental Fund Types and the Non-Uniform Pension Fund are classified in four separate categories. The categories, and their general meanings, are as follows:

- Restricted fund balance - indicates the portion of the fund balance that can only be spent for specific purposes because of constitutional provisions, legislation, or constraints that are externally imposed.

- Committed fund balance - indicates the portion of the fund balance that can only be used for specific purposes determined by formal action of the Council.

- Assigned fund balance - indicates the portion of the fund balance that has been appropriated for specific purposes by authorization of the Council

- Unassigned fund balance - indicates the portion of the fund balance that is available for appropriation and expenditure, in future periods.

3. Cash and Investments

General

Section 1316 of the Pennsylvania Borough Code provides for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

3. Cash and Investments (Continued)

General (Continued)

The deposit and investment policy of the Borough adheres to the statutes of the Commonwealth. Deposits of the Borough, except for Pension Trust Fund deposits which are administered by trustees, are either maintained in demand deposits or are held in bank money market accounts. There were no deposit or investment transactions during the year that were in violation of either the Commonwealth's statutes or the policy of the Borough.

Cash (Cash on Hand and Bank Balances)

At December 31, 2019, the carrying amount of the Borough's bank deposits at two financial institutions (excluding those held in the Pension Trust Funds, but including Agency Funds) totaled $1,680,242 and the corresponding bank balances were $1,747,985 of which $500,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of $1,247,985 were collateralized, as described below.

Under Act No. 72 of the 1972 Session of the Pennsylvania General Assembly (the "Act of 72"), financial institutions were granted the authority to secure the deposits of public bodies by pledging a pool of assets, as defined in the Act of 72, to cover all public funds deposited in excess of FDIC limits. The uninsured bank balances of the Borough in the amount of $1,247,985 were collateralized by this pool of assets maintained by the Borough's depository institutions.

In addition, the Borough included in cash, amounts held on hand in petty cash. At December 31, 2019, the petty cash balance was $114.

Investments and Other Investments

Under Section 1316 of the Pennsylvania Borough Code, the Borough is authorized to invest in United States Treasury Bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the U.S. Government or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Borough funds listed above and certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or similar agencies to the extent that such accounts are so insured. Investments of pension trust funds are placed pursuant to guidelines established by the respective pension boards.

3. Cash and Investments (Continued)

Investments and Other Investments

As of December 31, 2019, the Borough had the following investments:

	Maturities	Fair Value
Investment - Pension Trust Fund		
Cash and Sweep Balances		$ 1,548
Common Stocks		14,253
Fixed Income		10,414
		$ 26,215
Other Investments - Governmental Funds		
Certificate of Deposit	Oct. 2020	$ 123,880
		$ 123,880

Interest Rate Risk

The Borough has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Borough has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Borough places limits on the amount the Borough may invest in any one issuer. Currently the Borough does not have any investments not included in the Pension Trust Fund.

Custodial Credit Risk

For an investment, 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 any outside party. The Borough has no investments subject to custodial credit risk.

4. Real Estate Taxes

Based upon assessed valuations provided by the County ($53,707,500 in 2019), the Borough bills and collects its own property taxes. The schedule for property taxes levied for 2019 is as follows:

January 1	- levy date
February 1	- billing date
February 1 – March 31	- face payment period
April 1 – May 31	- 2% discount period
June 1 - December 31	- 10% penalty period
January 1	- lien date

The Borough continues to collect delinquent real estate taxes through December of the current year. At that time, all unpaid real estate taxes are turned over to the County of Northampton Tax Claim Bureau for further collection. The 2019 municipal tax rate for all purposes was 15.00 mils ($15.00 per $1,000 of assessed valuation).

5. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2019, was as follows:

	Balance Jan. 1, 2019	Additions	Retirements	Balance Dec. 31, 2019
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land, Building and Improvements	$ 2,006,005	$ 464,589	$ (403,000)	$ 2,067,594
Machinery and Equipment	723,360	67,736	-	791,096
Recreation	76,354	-	-	76,354
Governmental Activities Capital Assets at Historical Cost	$ 2,805,719	$ 532,325	$ (403,000)	$ 2,935,044

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

6. Long-Term Debt

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

	Balance Outstanding Jan. 1, 2019	Additions	Reductions	Balance Outstanding Dec. 31, 2019	Amounts Due Within One Year
Governmental Activities:					
Installment Loan: 7-Year Loan Payable to Institution, fixed annual interest rate of 2.73%. Payable in annual installments, paid-in-full August, 2019	$ 179,402	$ -	$ (179,402)	$ -	$ -
Installment Loan: 7-Year Loan Payable to Institution, fixed annual interest rate of 2.75%. Payable in annual installments, matures May, 2023	279,463	-	(52,757)	226,706	54,206
Installment Loan: 20-Year Loan Payable to Institution, fixed annual interest rate of 2.73% Payable in annual installments, matures September, 2036	385,410	-	(17,200)	368,210	17,624
	$ 844,275	$ -	$ (249,359)	$ 594,916	$ 71,830

The annual debt service requirements to maturity for governmental-type general obligation notes and installment loans, including interest are as follows, as of December 31, 2019:

During the year ended December 31,	Principal	Interest
2020	$ 71,830	$ 16,448
2021	73,802	14,476
2022	75,827	12,450
2023	78,682	10,368
2024	19,629	8,230
2025-2029	106,480	32,812
2030-2034	121,829	17,461
2035-2039	46,837	2,201
Totals	$ 594,916	$ 114,446

7. Fund Balances

The fund balances have been categorized based on the relative strength of the spending constraints placed on the purpose for which the resources can be used, as follows:

	General Fund	Capital Projects Fund	Fire Fund	Liquid Fuels Fund	Pension Trust Funds	Agency Funds	Totals
Unassigned	$ 1,151,786	$ -	$ -	$ -	$ -	$ -	$ 1,151,786
Restricted	123,880	126	-	153,621	-	-	277,627
Committed	121,332	-	264	-	26,215	-	147,811
Assigned	53,999	-	-	-	-	-	53,999
Totals	$ 1,450,997	$ 126	$ 264	$ 153,621	$ 26,215	$ -	$ 1,631,223

8. Capital Lease

The Borough leases equipment under various non-cancellable leases that are classified as capital leases expiring at various dates through June 2023. The lease agreements contain a bargain purchase option at the end of the lease term, which was exercised subsequent to December 31, 2019 on January 17, 2020.

Future minimum lease payments under the capital leases are as follows:

Year ending December 31,	
2020	$ 12,044
2021	12,044
2022	1
Total minimum lease payments	24,089
Less: amount representing interest	(960)
Present value of minimum lease payments	23,129
Less: Current Portion	(11,408)
Capital Lease Obligation, Net	$ 11,721

Equipment includes the following amounts for lease obligations which have been capitalized:

Equipment	$ 57,082
Less: Accumulated Depreciation	-
Net Book Value	$ 57,082

9. Operating Lease

The Borough leases a copier under a long-term lease agreement, expiring July 2023. Expenses incurred under the lease was $1,740 for 2019. Future minimum lease payments are as follows:

Year ending December 31,		
2020	$	1,740
2021		1,740
2022		1,740
2023		1,015
Total Minimum Lease Payments	$	6,235

10. Defined Contribution Pension Plan

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.

11. Risk Management and Litigation

Risk Management

The Borough is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are provided for through insurance from private insurance companies. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably stated. In determining claims, events that might create claims, but for which none have been reported are considered. During the year ended December 31, 2019 and the two previous fiscal years, no settlements exceeded insurance coverage.

11. Risk Management and Litigation (Continued)

Litigation

In the normal course of operations, the Borough is involved in various civil disputes. Management and Borough solicitor estimate that the amount of actual potential claims against the Borough as of December 31, 2019, will not materially affect the financial condition of the Borough.

12. Commitments and Contingencies

Federal and State Grants

The Borough receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Borough's management, such disallowances, if any, will not be significant to the Borough's basic purpose financial statements.

Insurance

The Borough is exposed to various risks of loss, including workers' compensation; property, casualty and public official liability; employee benefit administration; employment practice liability; and general liability claims. During the past four calendar years, there have not been any settlements that exceeded insurance coverage. The Borough is contingently liable to the extent any potential future judgment exceeds available insurance coverage.

13. Subsequent Events

In preparing these financial statements, the Borough has evaluated events and transactions for potential recognition or disclosure through October 30, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Borough, COVID-19 may impact various parts of its 2020 operations and financial results. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF BATH
GENERAL FUND - SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes			
Real Estate	$ 770,109	$ 747,867	$ 22,242
Real Estate Transfer	46,198	45,993	205
Earned Income	311,027	285,759	25,268
Local Services Tax	27,758	23,714	4,044
Total Taxes	1,155,092	1,103,333	51,759
Licenses and Permits			
Permits	2,950	2,568	382
TV Cable	41,969	43,305	(1,336)
Miscellaneous	2,730	1,488	1,242
Total Licenses and Permits	47,649	47,361	288
Fines and Forfeitures			
Ordinance Violations	15,957	2,000	13,957
Vehicle Code Violations	8,616	2,075	6,541
Total Fines and Forfeitures	24,573	4,075	20,498
Interest and Rents			
Interest	14,090	5,091	8,999
Rents	24,765	15,741	9,024
Total Interest and Rents	38,855	20,832	18,023
Intergovernmental Revenues			
Federal Funds	-	-	-
State Funds	82,064	29,935	52,129
PURTA Tax	1,062	1,198	(136)
Local Funds	118,000	-	118,000
Total Intergovernmental Revenues	201,126	31,133	169,993
Charges for Services			
Zoning Fees	2,816	2,550	266
Recreation Fees	36,251	-	36,251
Public Safety	1,461	10,039	(8,578)
Property Inspection	33,557	-	33,557
Miscellaneous	1,372	7,032	(5,660)
Total Charges for Services	75,457	19,621	55,836
Other Revenues			
Sale of Property	403,000	-	450,746
Refunds	3,233	-	3,233
Total Other Revenues	406,233	-	453,979
Total Revenues Received	$ 1,948,985	$ 1,226,355	$ 770,376

BOROUGH OF BATH
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019

	Actual	Original Budget	Variance Favorable (Unfavorable)
EXPENDITURES PAID			
General Government			
Legislative	$ 25,825	$ 23,355	$ (2,470)
Administrative and Executive	225,841	192,210	(33,631)
Financial Administration	44,420	40,135	(4,285)
Planning and Zoning	205,309	40,000	(165,309)
Legal	86,731	90,500	3,769
Tax Collection	4,559	9,907	5,348
Physical Plant	164,916	17,710	(147,206)
Insurance	33,055	59,920	26,865
Total General Government	790,656	473,737	(316,919)
Public Safety			
Police Protection	-	26,397	26,397
Protective Inspection and Code Enforcement	92,162	59,987	(32,175)
Fire Protection	16,907	23,790	6,883
Total Public Safety	109,069	110,174	1,105
Public Works - Highways and Streets			
Street Construction	304,873	303,500	(1,373)
Street Lighting	28,185	4,000	(24,185)
Snow and Ice Removal	6,791	11,000	4,209
Street Signs and Markings	9,431	-	(9,431)
Storm Sewer Maintenance	5,050	5,100	50
Repairs and Maintenance	17,659	16,500	(1,159)
General Services	139,018	171,315	32,297
Total Public Works - Highways and Streets	511,007	511,415	408
Culture and Recreation			
Playground and Parks	38,804	27,600	(11,204)
Total Culture and Recreation	38,804	27,600	(11,204)
Debt Principal	-	106,076	106,076
Interest	-	21,921	21,921
Total Expenditures Paid	1,449,536	1,250,923	(304,689)
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	499,449	(24,568)	465,687
Other Financing Sources (Uses)			
Transfers In	-	12,044	(12,044)
Transfers Out	(215,425)	(50,700)	(164,725)
Total Other Financing Sources (Uses), Net	(215,425)	(38,656)	(176,769)
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	284,024	(63,224)	288,918
FUND BALANCE - JANUARY 1, 2019	1,166,973	1,166,973	-
FUND BALANCE - DECEMBER 31, 2019	$ 1,450,997	$ 1,103,749	$ 288,918

SUPPLEMENTARY INFORMATION

BOROUGH OF BATH
COMBINING BALANCE SHEET – MODIFIED CASH BASIS –
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Fire	State Liquid Fuels	Total
ASSETS			
Cash and Cash Equivalents	$ 264	$ 153,621	$ 153,885
Total Assets	$ 264	$ 153,621	$ 153,885
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued Expenses	$ -	$ -	$ -
Total Liabilities	-	-	-
Fund Balance			
Committed	264	-	264
Restricted	-	153,621	153,621
Total Fund Balance	264	153,621	153,885
Total Liabilities and Fund Balances	$ 264	$ 153,621	$ 153,885

See independent auditor's report on supplementary information.

BOROUGH OF BATH
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Fire	State Liquid Fuels	Total
REVENUES RECEIVED			
Taxes	$ 13,178	$ -	$ 13,178
Intergovernmental Revenues	-	74,142	74,142
Interest	159	703	862
Total Revenues Received	13,337	74,845	88,182
EXPENDITURES PAID			
Public Safety	13,447	-	13,447
Total Expenditures Paid	13,447	-	13,447
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	(110)	74,845	74,735
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	(12,044)	(12,044)
Total Other Financing Sources (Uses), Net	-	(12,044)	(12,044)
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(110)	62,801	62,691
Fund Balances - January 1, 2019	374	90,820	91,194
Fund Balances - December 31, 2019	$ 264	$ 153,621	$ 153,885

See independent auditor's report on supplementary information.

C·R&Y CERTIFIED PUBLIC ACCOUNTANTS
CAMPBELL, RAPPOLD & YURASITS LLP

TARA L. BENDER, CPA, CSEP
JAMES F. BOVA, CPA
MARC A. BRINKER, CPA
MELISSA A. GRUBE, CPA, CSEP
DENNIS S. HELLER, CPA
WARREN R. HENDERSON, CPA
JOHN R. ZAYAITZ, CPA

DAWN C. ANDERSON, CPA
MICHELLE R. BITNER, CPA
ROXANNA M. BRANDLE, CPA
KYLE ELSENBAUMER, CPA
PAUL G. MACK, CPA, CFE
GREG MOSER, JR., CPA
NICHOLAS A. OTTOLINI, CPA
JASON L. SERFASS, CPA
HEIDI D. WOJCIECHOWSKI, CPA

INDEPENDENT AUDITOR'S 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*

Members of Borough Council
Borough of Bath
Bath, PA

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Bath as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise of the Borough of Bath's basic financial statements and have issued our report thereon dated October 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Bath'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Bath's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Bath'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 entity'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 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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We did identify certain deficiencies in internal control that we consider to be significant deficiencies:

Reconciling Bank Statements Regularly

During the audit, we noted that the Borough's bank account balances in the general ledger were not reconciled to the bank statements in a timely manner. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the Borough's procedures. We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all reconciling items be promptly investigated and adjusted with adequate explanations.

Unopened bank statements should be forwarded to a member of management other than the Secretary or Administrator. This person should review the bank statements and canceled checks for any strange or unusual items and investigate these items should any be found. Documentation of their review should be made on the face of the bank statements. This practice will provide a very strong check and balance on the internal controls over cash.

There should be a procedure in place to review the bank reconciliation after it is completed. This practice would greatly enforce the checks and balances necessary for strong controls over cash. The bank reconciliation should be reviewed for any unusual items, investigate and fully resolve any such items, and document approval by initialing the reconciliation.

Approval of Cash Disbursements

During our audit, it was noted that there was no documentation regarding the review of vendor invoices. This exposes the Borough to a risk of loss from a variety of vendor/disbursement errors and schemes to defraud. We strongly recommend the implementation of a policy to document the review of all invoices, either by sign-offs of authorized personnel or in the form of electronic/e-mail correspondence, in order to provide evidence that expenses and disbursements are properly approved by the appropriate person.

Time Sheet Approval

During our testing of payroll, we found instances of unsigned and unapproved time sheets. It was determined that the hours were properly allocated in the accounting records based on the time sheets; however, a lack of supervisory approval can allow errors in the time charged and allocated among funds to pass undetected. We recommend that all time sheets be signed by the employee, and approved by management.

Views of Responsible Officials and Planned Corrective Actions

Reconciling Bank Statements Regularly

Bank account (all funds) to be reconciled monthly. Office Administrator will prepare a monthly reconciliation worksheet from QuickBooks which will be signed off by Manager Flynn and Office Administrator Rasmus. Any unopened bank statements will be forwarded to the Borough Manager for review.

Approval of Cash Disbursements

Vendor invoices will be acknowledged and signed off by management. Practice which was instilled a few years ago and has since been lapsed. The practice will be reinstituted and followed during weekly payment runs.

Time Sheet Approval

Management will review and sign off on employee time sheets.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Bath'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.

Campbell, Reppold & Yurasits LLP

October 30, 2020