BOROUGH OF BATH

Financial Statements,
Independent Auditor's Report
and Supplementary Information

December 31, 2020

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

BOROUGH OF BATH
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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 Borough of Bath, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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 Borough of Bath as of December 31, 2020, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Borough of Bath and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – 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.

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Responsibilities of Management 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, and for 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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Bath's basic financial statements. Management's budgetary comparison and combining schedules on pages 32-35 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison and 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 budgetary comparison and combining schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022 on our consideration of 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 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 Borough of Bath's internal control over financial reporting and compliance.

Campbell, Rappold & Yurasits LLP

December 7, 2022

BOROUGH OF BATH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 1,395,000	$ -	$ 1,395,000
Other Investments	125,215	-	125,215
Total Current Assets	1,520,215	-	1,520,215
Noncurrent Assets:			
Land, Building and Improvements	2,114,428	-	2,114,428
Machinery and Equipment	880,972	-	880,972
Recreation	76,354	-	76,354
Total Noncurrent Assets	3,071,754	-	3,071,754
TOTAL ASSETS	4,591,969	-	4,591,969
LIABILITIES			
Current Liabilities:			
Accrued Expenses	339	-	339
Current Portion of Long-Term Debt	55,697	-	55,697
Total Current Liabilities	56,036	-	56,036
Noncurrent Liabilities:			
Long-Term Debt	116,796	-	116,796
Total Noncurrent Liabilities	116,796	-	116,796
TOTAL LIABILITIES	$ 172,832	$ -	$ 172,832
NET POSITION			
Invested in Capital Assets, Net of Related Debt	$ 2,899,261	$ -	$ 2,899,261
Restricted for:			
Capital Projects	126	-	126
Special Projects	225,281	-	225,281
Special Revenue	202,875	-	202,875
Unassigned	1,091,594	-	1,091,594
TOTAL NET POSITION	$ 4,419,137	$ -	$ 4,419,137

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, 2020

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	$ 578,157	$ 1,505	$ 5,313	$ -	$ (571,339)	$ -	$ (571,339)
Public Safety	136,169	51,910	14,258	-	(70,001)	-	(70,001)
Public Works	252,379	-	110,562	51,721	(90,096)	-	(90,096)
Cultural and Recreation	26,023	-	-	-	(26,023)	-	(26,023)
Interest on Long-Term Debt	18,181	-	-	-	(18,181)	-	(18,181)
Total Governmental Activities	1,010,909	53,415	130,133	51,721	(775,640)	-	(775,640)
Business Type Activities:							
Sanitation	284,324	279,899	-	-	-	(4,425)	(4,425)
Total Business-Type Activities	284,324	279,899	-	-	-	(4,425)	(4,425)
Total Primary Government	$ 1,295,233	$ 333,314	$ 130,133	$ 51,721	$ (775,640)	$ (4,425)	$ (780,065)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes, net					$ 737,619	$ -	$ 737,619
Property Taxes, levied for fire protection, net					11,786	-	11,786
Other Taxes, levied for general purposes, net					384,325	-	384,325
Licenses and Permits					52,414	-	52,414
Fines and Forfeits					12,942	-	12,942
Miscellaneous Income					30,278	-	30,278
Interest Income					47,831	-	47,831
Transfers In/(Out)					(4,425)	4,425	-
Total General Revenues, Special Items, Extraordinary Items, and Transfers					1,272,770	4,425	1,277,195
Change in Net Position					497,130	-	497,130
Net Position - Beginning					3,922,007	-	3,922,007
Net Position - Ending					$ 4,419,137	$ -	$ 4,419,137

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, 2020

	Major Fund		Non-Major Funds		
	General	Special Revenue	Capital Projects	Debt Service	Total
ASSETS					
Cash and Cash Equivalents	$ 1,191,999	$ 202,875	$ 126	$ -	$ 1,395,000
Other Investments	125,215	-	-	-	125,215
TOTAL ASSETS	$ 1,317,214	$ 202,875	$ 126	$ -	$ 1,520,215
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued Expenses	$ 339	$ -	$ -	$ -	$ 339
TOTAL LIABILITIES	339	-	-	-	339
FUND BALANCES					
Assigned	51,283	-	-	-	51,283
Restricted	125,215	202,327	126	-	327,668
Committed	48,783	548	-	-	49,331
Unassigned	1,091,594	-	-	-	1,091,594
TOTAL FUND BALANCES	1,316,875	202,875	126	-	1,519,876
TOTAL LIABILITIES AND FUND BALANCES	$ 1,317,214	$ 202,875	$ 126	$ -	$ 1,520,215

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, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 1,519,876
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 $3,071,754.		3,071,754
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 Payable	$ (172,493)	(172,493)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 4,419,137

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, 2020

	Major Fund		Non-Major Funds		
	General	Special Revenue	Capital Projects	Debt Service	Total
REVENUES					
Taxes	$ 1,121,945	$ 13,720	$ -	$ -	$ 1,135,665
Licenses and Permits	52,414	-	-	-	52,414
Fines and Forfeitures	12,942	-	-	-	12,942
Interest and Rents	47,187	644	-	-	47,831
Intergovernmental Revenues	109,690	72,164	-	-	181,854
Charges for Services	53,415	-	-	-	53,415
Other Revenues	28,344	-	-	-	28,344
TOTAL REVENUES	1,425,937	86,528	-	-	1,512,465
EXPENDITURES					
General Government	599,494	-	-	-	599,494
Public Safety	135,577	13,473	-	-	149,050
Public Works	354,872	-	-	-	354,872
Cultural and Recreation	26,023	-	-	-	26,023
Debt Service - Principal Retirement	-	-	-	445,552	445,552
Debt Service - Interest	-	-	-	18,181	18,181
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	1,115,966	13,473	-	463,733	1,593,172
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	309,971	73,055	-	(463,733)	(80,707)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	-	-	463,733	463,733
Operating Transfers Out	(444,093)	(24,065)	-	-	(468,158)
Total Other Financing Sources (Uses)	(444,093)	(24,065)	-	463,733	(4,425)
Net Change in Fund Balances	(134,122)	48,990	-	-	(85,132)
Fund Balances, January 1	1,450,997	153,885	126	-	1,605,008
FUND BALANCES, DECEMBER 31	$ 1,316,875	$ 202,875	$ 126	$ -	$ 1,519,876

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, 2020

Net Change in Fund Balances - Governmental Funds		$ (85,132)
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	136,710	136,710
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		23,129
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis		422,423
Change in Net Position of Governmental Activities		$ 497,130

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, 2020

	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, 2020

	Sanitation Fund
OPERATING REVENUES:	
Charges for Services	$ 279,899
Total Operating Revenues	279,899
OPERATING EXPENSES:	
Contractual Services	271,107
Collection Fees	1,596
Recycling	9,910
Supplies	1,711
Total Operating Expense	284,324
OPERATING LOSS	(4,425)
Loss Before Transfers	(4,425)
Transfers In	4,425
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, 2020

	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Customers	$ 279,899
Cash Payment to Suppliers for Goods and Services	(284,324)
Net Cash Used in Operating Activities	(4,425)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Transfers Out	4,425
Net Cash Used from Noncapital Financing Activities	4,425
Net Increase (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 Used in Operating Activities	
Operating Loss	$ (4,425)
Adjustment to Reconcile Operating Income to Net Cash Used in Operating Activities	-
Total Adjustments	-
Net Cash Used in Operating Activities	$ (4,425)

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, 2020

	Non-Uniform Pension	Custodial Funds
ASSETS:		
Cash and Cash Equivalents - Restricted	$ -	$ 58,113
Investments - at Fair Value		
Cash and Sweep Balances	26,107	-
Common Stock	16,457	-
Fixed Income	10,951	-
Total Assets	$ 53,515	$ 58,113
LIABILITIES:		
Accrued Expenses	$ -	$ -
Total Liabilities	-	-
NET POSITION:		
Restricted	53,515	58,113
Total Liabilities and Net Position	$ 53,515	$ 58,113

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, 2020

	Non-Uniform Pension	Custodial Funds
ADDITIONS:		
Contributions:		
Employer	$ 24,788	$ -
Plan Members	-	-
Total Contributions	24,788	-
Investment Earnings:		
Net Realized and Unrealized Gains	2,759	-
Interest and Dividends	563	83
Less: Investment Expenses	-	-
Total Investment Earnings	3,322	83
Collections from Other Entities	-	26,045
Total Additions	28,110	26,128
DEDUCTIONS:		
Administration	810	-
Payments to Other Entities	-	43,553
Total Deductions	810	43,553
NET INCREASE (DECREASE)	27,300	(17,425)
NET POSITION:		
Net Position, January 1	26,215	75,538
Net Position, December 31	$ 53,515	$ 58,113

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 – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) 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 (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 one 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:

- ***Custodial Funds*** - are used to account for funds held in escrow for other parties. The principal source of revenue for these funds are collections from other entities.

- ***Pension Funds*** - are used to account for pension benefits for employees. The principal revenue sources for these funds are state aid, employer contributions, and investment earnings. The Borough of Bath has one pension 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 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 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, Expenditures 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 - Modified Cash Basis. 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 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 2020. 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, Expenditures and Changes in Fund Balance - Modified Cash Basis - Budget Comparison 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, 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 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, 2020, the carrying amount of the Borough's bank deposits at two financial institutions (excluding those held in the Pension Funds, but including Custodial Funds) totaled $1,578,201 and the corresponding bank balances were $1,532,703 of which $500,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of $1,032,703 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 $1,032,703 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, 2020, the petty cash balance was $127.

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 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, 2020, the Borough had the following investments:

	Maturities	Fair Value
Investment - Pension Trust Fund		
Cash and Sweep Balances		$ 26,107
Common Stocks		16,457
Fixed Income		10,951
		$ 53,515
Other Investments - Governmental Funds		
Certificate of Deposit	Oct. 2021	$ 125,215
		$ 125,215

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 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 ($53,882,500 in 2020), the Borough bills and collects its own property taxes. The schedule for property taxes levied for 2020 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 2020 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, 2020, was as follows:

	Balance Jan. 1, 2020	Additions	Retirements	Balance Dec. 31, 2020
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land, Building and Improvements	$ 2,067,594	$ 46,834	$ -	$ 2,114,428
Machinery and Equipment	791,096	89,876	-	880,972
Recreation	76,354	-	-	76,354
Governmental Activities Capital Assets at Historical Cost	$ 2,935,044	$ 136,710	$ -	$ 3,071,754

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, 2020, are as follows:

	Balance Outstanding Jan. 1, 2020	Additions	Reductions	Balance Outstanding Dec. 31, 2020	Amounts Due Within One Year
Governmental Activities:					
Installment Loan: 7-Year Loan Payable to Institution, fixed annual interest rate of 2.75%. Payable in annual installments, matures May, 2023	$ 226,706	$ -	$ (54,213)	$ 172,493	$ 55,697
Installment Loan: 20-Year Loan Payable to Institution, fixed annual interest rate of 2.73% Payable in annual installments. Paid in full in 2020.	368,210	-	(368,210)	-	-
	$ 594,916	$ -	$ (422,423)	$ 172,493	$ 55,697

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, 2020:

During the year ended December 31,	Principal	Interest
2021	$ 55,697	$ 4,722
2022	57,228	3,190
2023	59,568	1,617
Totals	$ 172,493	$ 9,529

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	Custodial Funds	Totals
Unassigned	$ 1,091,594	$ -	$ -	$ -	$ -	$ -	$ 1,091,594
Restricted	125,215	126	-	202,327	-	-	327,668
Committed	48,783	-	548	-	53,515	58,113	160,959
Assigned	51,283	-	-	-	-	-	51,283
Totals	$ 1,316,875	$ 126	$ 548	$ 202,327	$ 53,515	$ 58,113	$ 1,631,504

8. Capital Lease

The Borough leased equipment under a non-cancellable lease that is classified as capital leases expiring June 2023. The lease agreement contained a bargain purchase option at the end of the lease term, which was exercised prior to the expiration of the lease term on January 17, 2020.

9. Inter-fund Transfers

Inter-fund transfers during 2020 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
Governmental Activities		
General Fund	$ -	$ 444,093
Liquid Fuels Fund	-	24,065
Debt Service Fund	463,733	-
Business Type Activities		
Sanitation Fund	4,425	-
	$ 468,158	$ 468,158

10. Operating Lease

The Borough leases a copier under a long-term lease agreement, expiring July 2023. Expense incurred under the lease was $1,740 for 2020. Future minimum lease payments are as follows:

Year ending December 31,		
2021	$	1,740
2022		1,740
2023		1,015
Total Minimum Lease Payments	$	4,495

11. 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.

12. 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, 2020 and the two previous fiscal years, no settlements exceeded insurance coverage.

12. 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, 2020, will not materially affect the financial condition of the Borough.

13. 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

Management has considered events subsequent to December 31, 2020 that affect the Borough through December 7, 2022, the date the financial statements were available to be issued, and has determined that with the exception of the item noted below, no material subsequent events exist that require disclosure.

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 2021 fiscal year operations and financial results. Management believes the Borough is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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, 2020

	Actual	Original Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED			
Taxes			
Real Estate	$ 737,620	$ 786,000	$ (48,380)
Real Estate Transfer	34,592	55,167	(20,575)
Earned Income	325,973	296,309	29,664
Local Services Tax	23,760	23,559	201
Total Taxes	1,121,945	1,161,035	(39,090)
Licenses and Permits			
Permits	2,700	3,000	(300)
TV Cable	47,811	43,127	4,684
Miscellaneous	1,903	1,380	523
Total Licenses and Permits	52,414	47,507	4,907
Fines and Forfeitures			
Ordinance Violations	7,563	3,933	3,630
Vehicle Code Violations	5,379	8,390	(3,011)
Total Fines and Forfeitures	12,942	12,323	619
Interest and Rents			
Interest	7,164	9,337	(2,173)
Rents	40,023	38,100	1,923
Total Interest and Rents	47,187	47,437	(250)
Intergovernmental Revenues			
Federal Funds	-	-	-
State Funds	108,547	30,564	77,983
PURTA Tax	1,143	1,198	(55)
Local Funds	-	-	-
Total Intergovernmental Revenues	109,690	31,762	77,928
Charges for Services			
Zoning Fees	2,620	2,650	(30)
Public Safety	1,560	465	1,095
Property Inspection	47,730	21,461	26,269
Miscellaneous	1,505	2,820	(1,315)
Total Charges for Services	53,415	27,396	26,019
Other Revenues			
Refunds	28,344	40,000	(11,656)
Total Other Revenues	28,344	40,000	(11,656)
Total Revenues Received	$ 1,425,937	$ 1,367,460	$ 58,477

See independent auditor's report on supplementary information.

BOROUGH OF BATH
GENERAL FUND - SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – MODIFIED CASH BASIS - BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2020

	Actual	Original Budget	Variance Favorable (Unfavorable)
EXPENDITURES PAID			
General Government			
Legislative	$ 38,414	$ 40,850	$ 2,436
Administrative and Executive	240,492	218,518	(21,974)
Financial Administration	60,013	38,847	(21,166)
Planning and Zoning	76,079	37,500	(38,579)
Legal	68,522	73,000	4,478
Tax Collection	8,164	10,908	2,744
Physical Plant	62,628	17,160	(45,468)
Insurance	45,182	48,340	3,158
Total General Government	599,494	485,123	(114,371)
Public Safety			
Police Protection	277	4,897	4,620
Protective Inspection and Code Enforcement	111,002	99,625	(11,377)
Fire Protection	24,298	49,890	25,592
Total Public Safety	135,577	154,412	18,835
Public Works - Highways and Streets			
Street Construction	104,677	26,000	(78,677)
Street Lighting	31,909	4,000	(27,909)
Snow and Ice Removal	34,418	8,500	(25,918)
Street Signs and Markings	14,609	-	(14,609)
Storm Sewer Maintenance	565	5,100	4,535
Repairs and Maintenance	16,508	10,000	(6,508)
General Services	152,186	191,405	39,219
Total Public Works - Highways and Streets	354,872	245,005	(109,867)
Culture and Recreation			
Playground and Parks	26,023	42,600	16,577
Total Culture and Recreation	26,023	42,600	16,577
Debt Principal	-	55,970	55,970
Interest	-	4,722	4,722
Total Expenditures Paid	1,115,966	987,832	(184,104)
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	309,971	379,628	(125,627)
Other Financing Sources (Uses)			
Transfers In	-	-	-
Transfers Out	(444,093)	-	(444,093)
Total Other Financing Sources (Uses), Net	(444,093)	-	(444,093)
EXCESS (DEFICIT) OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(134,122)	379,628	(569,720)
FUND BALANCE - JANUARY 1, 2020	1,450,997	1,450,997	-
FUND BALANCE - DECEMBER 31, 2020	$ 1,316,875	$ 1,830,625	$ (569,720)

See independent auditor's report on supplementary information.

BOROUGH OF BATH
COMBINING BALANCE SHEET – MODIFIED CASH BASIS –
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Fire Fund	State Liquid Fuels Fund	Total
ASSETS			
Cash and Cash Equivalents	$ 548	$ 202,327	$ 202,875
Total Assets	$ 548	$ 202,327	$ 202,875
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued Expenses	$ -	$ -	$ -
Total Liabilities	-	-	-
Fund Balance			
Committed	548	-	548
Restricted	-	202,327	202,327
Total Fund Balance	548	202,327	202,875
Total Liabilities and Fund Balances	$ 548	$ 202,327	$ 202,875

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, 2020

	Fire Fund	State Liquid Fuels Fund	Total
REVENUES RECEIVED			
Taxes	$ 13,720	$ -	$ 13,720
Intergovernmental Revenues	-	72,164	72,164
Interest	37	607	644
Total Revenues Received	13,757	72,771	86,528
EXPENDITURES PAID			
Public Safety	13,473	-	13,473
Total Expenditures Paid	13,473	-	13,473
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	284	72,771	73,055
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	(24,065)	(24,065)
Total Other Financing Sources (Uses), Net	-	(24,065)	(24,065)
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	284	48,706	48,990
Fund Balances - January 1, 2020	264	153,621	153,885
Fund Balances - December 31, 2020	$ 548	$ 202,327	$ 202,875

See independent auditor's report on supplementary information.

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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, 2020, and the related notes to the financial statements and have issued our report thereon dated December 7, 2022.

Report on 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) as a basis for determining 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'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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MEMBERS: American Institute of Certified Public Accountants • Pennsylvania Institute of Certified Public Accountants

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.

Time Sheet Approval

During our testing of payroll, we found instances of 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 approved by management.

Views of Responsible Officials and Planned Corrective Actions

Reconciling Bank Statements Regularly

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

Time Sheet Approval

Management will review and sign off on employee time sheets.

Report on 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, Peppard & Yamashita LLP

December 7, 2022