BOROUGH OF BATH

Financial Statements,
Independent Auditor's Report
and Supplementary Information

December 31, 2025

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

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, 2025, and the related notes to the financial statements, which collectively comprise Borough of Bath'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, 2025, 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 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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Emphasis of Matter – Restatement of Prior Period Financial Statements

As discussed in Note 13 to the financial statements, the Borough has restated its 2024 financial statements during the current year for the correction of a material misstatement. Our opinions are not modified with respect to this matter.

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 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 generally accepted auditing standards 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 comparisons on pages 31-32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 comparisons 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 October 6, 2026, 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, Foppold & Yurasits LLP

October 6, 2026

BOROUGH OF BATH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 2,289,637	$ 422,500	$ 2,712,137
Investments	138,756	-	138,756
Due from Other Funds	4,372	-	4,372
Total Current Assets	2,432,765	422,500	2,855,265
Noncurrent Assets:			
Land, Building and Improvements	2,813,571	-	2,813,571
Machinery and Equipment	1,442,516	-	1,442,516
Recreation	110,593	-	110,593
Total Noncurrent Assets	4,366,680	-	4,366,680
TOTAL ASSETS	6,799,445	422,500	7,221,945
LIABILITIES			
Current Liabilities:			
Accrued Expenses	6,363	-	6,363
Due to Other Funds	-	4,372	4,372
Current Portion of Long-Term Debt	55,000	-	55,000
Total Current Liabilities	61,363	4,372	65,735
Noncurrent Liabilities:			
Long-Term Debt	220,000	-	220,000
Total Noncurrent Liabilities	220,000	-	220,000
TOTAL LIABILITIES	281,363	4,372	285,735
NET POSITION			
Net Investment in Capital Assets	4,091,680	-	4,091,680
Restricted for:			
Capital Projects	180,358	-	180,358
Special Projects	25,961	-	25,961
Special Revenue	424,330	-	424,330
Unrestricted	1,795,753	418,128	2,213,881
TOTAL NET POSITION	$ 6,518,082	$ 418,128	$ 6,936,210

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, 2025

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	$ 495,342	$ 5,346	$ 36,091	$ -	$ (453,905)	$ -	$ (453,905)
Public Safety	232,603	34,662	17,423	-	(180,518)	-	(180,518)
Public Works	495,102	5,569	74,837	528,415	113,719	-	113,719
Cultural and Recreation	54,381	-	-	24,950	(29,431)	-	(29,431)
Insurance and Employee Benefits	237,297	-	-	-	(237,297)	-	(237,297)
Interest on Long-Term Debt	7,428	-	-	-	(7,428)	-	(7,428)
Total Governmental Activities	1,522,153	45,577	128,351	553,365	(794,860)	-	(794,860)
Business-Type Activities:							
Sanitation	369,089	413,795	-	-	-	44,706	44,706
Stormwater	167,384	248,850	-	-	-	81,466	81,466
Total Business-Type Activities	536,473	662,645	-	-	-	126,172	126,172
Total Primary Government	$ 2,058,626	$ 708,222	$ 128,351	$ 553,365	$ (794,860)	$ 126,172	$ (668,688)
General Revenues:							
Taxes:							
Property Taxes, levied for general purposes, net					$ 934,587	$ -	$ 934,587
Property Taxes, levied for fire protection, net					27,382	-	27,382
Real Estate Transfer Taxes					50,772	-	50,772
Earned Income Taxes					477,913	-	477,913
Local Services Taxes					27,058	-	27,058
Licenses and Permits					77,099	-	77,099
Fines and Forfeitures					22,238	-	22,238
Miscellaneous Income					75,012	-	75,012
Interest and Rental Income					110,594	19,680	130,274
Transfers In/(Out)					-	-	-
Total General Revenues, Special Items, Extraordinary Items, and Transfers					1,802,655	19,680	1,822,335
Change in Net Position					1,007,795	145,852	1,153,647
Net Position - Beginning, As Restated					5,510,287	272,276	5,782,563
Net Position - Ending					$ 6,518,082	$ 418,128	$ 6,936,210

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, 2025

	Major Funds			Non-Major Fund	
	General	Capital Projects	State Liquid Fuels	Fire	Total
ASSETS					
Cash and Cash Equivalents	$ 1,312,201	$ 553,106	$ 420,844	$ 3,486	$ 2,289,637
Investments	138,756	-	-	-	138,756
Due From Other Funds	377,120	-	-	-	377,120
TOTAL ASSETS	$ 1,828,077	$ 553,106	$ 420,844	$ 3,486	$ 2,805,513
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued Expenses	$ 6,363	$ -	$ -	$ -	$ 6,363
Due to Other Funds	-	372,748	-	-	372,748
TOTAL LIABILITIES	6,363	372,748	-	-	379,111
FUND BALANCES					
Assigned	23,606	-	-	-	23,606
Restricted	25,961	180,358	420,844	3,486	630,649
Committed	138,756	-	-	-	138,756
Unassigned	1,633,391	-	-	-	1,633,391
TOTAL FUND BALANCES	1,821,714	180,358	420,844	3,486	2,426,402
TOTAL LIABILITIES AND FUND BALANCES	$ 1,828,077	$ 553,106	$ 420,844	$ 3,486	$ 2,805,513

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, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 2,426,402
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.		4,366,680
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:		
Note Payable	$ (275,000)	(275,000)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 6,518,082

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, 2025

	Major Funds			Non-Major Fund	
	General	Capital Projects	State Liquid Fuels	Fire	Total
REVENUES					
Taxes	$ 1,490,330	$ -	$ -	$ 27,382	$ 1,517,712
Licenses and Permits	77,099	-	-	-	77,099
Fines and Forfeitures	22,238	-	-	-	22,238
Interest and Rents	101,901	2,890	5,039	764	110,594
Intergovernmental Revenues	58,223	553,365	70,128	-	681,716
Charges for Services	45,577	-	-	-	45,577
Other Revenues	75,012	-	-	-	75,012
TOTAL REVENUES	1,870,380	556,255	75,167	28,146	2,529,948
EXPENDITURES					
General Government	482,670	124,050	-	-	606,720
Public Safety	204,464	-	-	28,139	232,603
Public Works - Highways and Streets	408,369	885,044	-	-	1,293,413
Culture and Recreation	65,740	34,948	-	-	100,688
Insurance and Employee Benefits	237,297	-	-	-	237,297
Debt Service - Principal Retirement	55,000	-	-	-	55,000
Debt Service - Interest	7,428	-	-	-	7,428
TOTAL EXPENDITURES	1,460,968	1,044,042	-	28,139	2,533,149
EXCESS (DEFICIT) OF REVENUES RECEIVED OVER (UNDER) EXPENDITURES PAID	409,412	(487,787)	75,167	7	(3,201)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	-	595,622	-	-	595,622
Operating Transfers Out	(595,622)	-	-	-	(595,622)
Total Other Financing Sources (Uses)	(595,622)	595,622	-	-	-
Net Change in Fund Balances	(186,210)	107,835	75,167	7	(3,201)
Fund Balances, January 1	2,007,924	72,523	345,677	3,479	2,429,603
FUND BALANCES, DECEMBER 31	$ 1,821,714	$ 180,358	$ 420,844	$ 3,486	$ 2,426,402

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, 2025

Net Change in Fund Balances - Governmental Funds		$ (3,201)
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	$ 955,996	955,996
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		55,000
Change in Net Position of Governmental Activities		$ 1,007,795

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

BOROUGH OF BATH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
DECEMBER 31, 2025

	Sanitation Fund	Stormwater Fund	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents - Unrestricted	$ 268,947	$ 153,553	$ 422,500
Total Current Assets	268,947	153,553	422,500
TOTAL ASSETS	$ 268,947	$ 153,553	$ 422,500
LIABILITIES			
Current Liabilities:			
Due To General Fund	$ -	$ 4,372	$ 4,372
Total Current Liabilities	-	4,372	4,372
TOTAL LIABILITIES	-	4,372	4,372
NET POSITION			
Unrestricted	268,947	149,181	418,128
Total Net Position	268,947	149,181	418,128
TOTAL LIABILITIES AND NET POSITION	$ 268,947	$ 153,553	$ 422,500

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

BOROUGH OF BATH
STATEMENT OF REVENUES, EXPESES AND CHANGES IN FUND NET POSITION –
MODIFIED CASH BASIS – ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Sanitation Fund	Stormwater Fund	Total Proprietary Funds
OPERATING REVENUES:			
Charges for Services	$ 413,795	$ 248,850	$ 662,645
Total Operating Revenues	413,795	248,850	662,645
OPERATING EXPENSES:			
Administration	-	38,152	38,152
Contractual Services	357,625	-	357,625
Collection and Other Fees	245	9,087	9,332
Professional Fees	1,456	112,557	114,013
Information Technology	9,763	4,161	13,924
Advertising	-	277	277
Office Supplies	-	1,176	1,176
Repairs and Maintenance	-	1,974	1,974
Total Operating Expense	369,089	167,384	536,473
OPERATING GAIN	44,706	81,466	126,172
NON-OPERATING REVENUES:			
Interest Revenue	13,841	5,839	19,680
Total Non-operating Revenues	13,841	5,839	19,680
OTHER FINANCING SOURCES			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources	-	-	-
Net Increase	58,547	87,305	145,852
Change in Net Position	58,547	87,305	145,852
Total Net Position - January 1	210,400	61,876	272,276
TOTAL NET POSITION - December 31	$ 268,947	$ 149,181	$ 418,128

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

BOROUGH OF BATH
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS –
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Sanitation Fund	Stormwater Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 413,795	$ 248,850	$ 662,645
Cash Payment to Suppliers for Goods and Services	(369,089)	(126,732)	(495,821)
Cash Payment to Employees for Services	-	(36,280)	(36,280)
Net Cash Provided by Operating Activities	44,706	85,838	130,544
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	13,841	5,839	19,680
Net Cash Provided by Investing Activities	13,841	5,839	19,680
Net Increase in Cash and Cash Equivalents	58,547	91,677	150,224
Cash and Cash Equivalents, January 1	210,400	61,876	272,276
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 268,947	$ 153,553	$ 422,500
Reconciliation of Operating Gain to Net Cash Provided by Operating Activities			
Operating Gain	$ 44,706	$ 81,466	$ 126,172
Adjustment to Reconcile Operating Gain to Net Cash Provided by Operating Activities			
Changes in Assets and Liabilities:			
Increase in Amounts Due to Other Funds	-	4,372	4,372
Total Adjustments	-	4,372	4,372
Net Cash Provided by Operating Activities	$ 44,706	$ 85,838	$ 130,544

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

BOROUGH OF BATH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS –
FIDUCIARY FUND
DECEMBER 31, 2025

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents - Restricted	$ 69,405
Total Assets	$ 69,405
LIABILITIES:	
Due to Depositors	$ -
Total Liabilities	-
NET POSITION:	
Restricted	69,405
Total Liabilities and Net Position	$ 69,405

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

BOROUGH OF BATH
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS – FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Custodial Funds
ADDITIONS:	
Collections from Other Entities	$ 136,372
Donations from Private Sector	3,510
Interest	153
Total Additions	140,035
DEDUCTIONS:	
Payments to Other Entities	91,382
Total Deductions	91,382
NET INCREASE	48,653
NET POSITION:	
Net Position, January 1	20,752
Net Position, December 31	$ 69,405

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 Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39 and GASB Statement No. 61, the Borough is financially accountable if it appoints a voting majority of the organization's 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 burdens 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.

Following is a brief description of the component unit meeting the above criteria and as a result included within the financial reporting entity, a description of the component unit’s relationship with the Borough, and a discussion of how component unit information has been incorporated into the financial statements: Bath Borough Stormwater Authority ("Authority") was incorporated December 9, 2024, under the Municipal Authorities Act of 1945 as amended, under the laws of the Commonwealth of Pennsylvania and Borough of Bath, and is located in Northampton County, Pennsylvania. The Authority is governed by a five-member Board of Directors that are appointed by the Borough of Bath's Borough Council. The Authority, by virtue of its Articles of Incorporation and of the Municipal Act, shall terminate existence twenty-five years from the date of filing, unless extended by an amendment to the Articles of Incorporation. Because a voting majority of the Authority's Board of Directors are members of Borough Council, the Authority's governing body is substantively the same as that of the Borough. The Borough also has a financial benefit or burden relationship with the Authority. As a result, the Authority's funds are blended into the Borough's proprietary funds and presented in a separate Stormwater Fund column in accordance with GASB Statement No. 61. Separate financial statements for Bath Borough Stormwater Authority are audited by Campbell, Rappold & Yurasits LLP.

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.

2. Summary of Significant Accounting Policies (Continued)

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.

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 for sanitation and stormwater. 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. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid through the General Fund.

- ***Special Revenue 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 (Major 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 (Non-Major Fund) - is utilized to account for the financial activity of the Borough's fire tax revenue and its related expenditures.

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

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 two Enterprise Funds described below.

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types (Continued)

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.

Stormwater Fund - is used to account for the operation, maintenance and expansion of the existing stormwater system 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

The fiduciary fund category includes pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Fiduciary funds are used to account for assets held by the Borough in a trustee or custodial capacity for the benefit of individuals, private organizations, or other governments and that are not available to support the Borough's own programs. The Borough reports only custodial funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The Borough maintains a custodial fund to account for escrow funds held by the Borough for projects within the Borough. The following is the Borough's fiduciary fund type presented:

- ***Custodial Funds*** - are used to account for funds held in escrow for other parties. The principal source of additions for these funds are collections of developer escrow deposits to be used as expense reimbursements for legal and engineering fees.

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 the capitalization of fixed assets, the recording of long-term debt proceeds and principal payments as liabilities and the recording of payroll withholdings when withheld from employees' pay. The Statement of Revenues, Expenditures and Changes in Fund Balances - 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 as a whole.

2. Summary of Significant Accounting Policies (Continued)

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 General 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 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.

Custodial funds use "income determination" as its measurement focus. Collections from other entities are recognized in the period in which collections are made. Payments to other entities are recognized when paid.

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.

2. Summary of Significant Accounting Policies (Continued)

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

- 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 modified cash basis of accounting discussed above.
- Borough Council may authorize supplemental appropriations during the year. No supplemental appropriations were made during fiscal 2025. Borough Council must approve all over expenditures of appropriations or transfers of appropriated amounts.

The Schedules of Revenues, Expenditures and Other Financing Sources - 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. The Borough also adopts budgets for the Capital Projects Fund and Fire Fund. Budgetary comparison schedules are not presented for these funds because the Capital Projects Fund is not a special revenue fund and the Fire Fund is not a major fund.

Cash and Cash Equivalents

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

Certificates of deposit held for investment purposes with original maturities greater than three months are reported at amortized cost, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

The certificates of deposit in which the Borough invests are nonnegotiable and nonparticipating interest-earning investment contracts, and therefore are not considered debt securities subject to fair value reporting. As such, they are excluded from the definition of investments required to be reported at fair value under GASB 31.

The Borough has formally adopted the provisions of GASB Statement No. 31 and reports its held-to-maturity certificates of deposit at amortized cost.

2. Summary of Significant Accounting Policies (Continued)

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.

As of December 31, 2025, the Capital Projects Fund and Stormwater Fund owed $372,748 and $4,372, respectively to the General Fund. Borrowed funds were used to cover capital purchases and general operating costs, respectively.

Restricted Assets

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

Capital Assets

The Borough reports its financial statements in accordance with the modified cash basis of accounting. Under this basis of accounting, capital assets, which include property, plant, and equipment, are recorded when acquired through cash disbursements or cash-based financing transactions.

Capital assets are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements. 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.

Leases

The Borough reports its financial statements in accordance with the modified cash basis of accounting. As such, the Borough does not report lease assets or related lease liabilities because the acquisition or recognition of those assets and liabilities did not involve a cash inflow or outflow at the time of acquisition or commencement.

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.

2. Summary of Significant Accounting Policies (Continued)

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.

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.

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 is 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. Deposits with Financial Institutions and Investments

General

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. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Borough adheres to the statutes of the Commonwealth. Deposits of the Borough 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, 2025, the carrying amount of the Borough's bank deposits, including certificates of deposit, at two financial institutions including Custodial Funds, totaled $2,920,198 and the corresponding bank balances were $3,019,636 of which $500,000 was insured by the Federal Deposit Insurance Corporation ("FDIC"); the uninsured bank balances of $2,519,636 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 $2,519,636 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, 2025, the petty cash balance was $100.

3. Deposits with Financial Institutions and Investments (Continued)

Investments

As of December 31, 2025, the Borough had the following investments:

	Amortized Cost	Fair Value	Maturity 0-5 Years	Standard & Poor's Rating
Governmental Activities:				
Certificate of Deposit	$ 138,756	$ -	138,756	N/A
	$ 138,756	$ -	$ 138,756	

Measurement

Investments in qualifying external investment pools and certificates of deposit are reported at amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a 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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. When making investments, the Borough can combine monies from more than one fund under the Borough's control for the purchase of a single investment and join with other political subdivisions in the purchase of a single investment.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Borough's investment in a single issuer. GASB 40 requires disclosure of investments in any one issuer that represent 5% or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, including PLGIT, and other pooled investments. As of December 31, 2025, the Borough had no investments in any one issuer representing 5% or more of total investments that require disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Borough's deposits may not be returned to the Borough. The Pennsylvania Local Government Code and the Borough's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provisions for deposits: Pennsylvania Act 72 requires that a financial institution secure deposits made by state or local government units pledging securities in an undivided collateral pool held by a depository regulated under state law.

4. Real Estate Taxes

Based upon assessed valuations provided by the County ($56,277,400 in 2025), the Borough bills and collects its own property taxes. The schedule for property taxes levied for 2025 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 2025 municipal tax rate for all purposes was 17.45 mils ($17.45 per $1,000 of assessed valuation).

5. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2025, was as follows:

	Balance Jan. 1, 2025	Additions	Retirements	Balance Dec. 31, 2025
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land, Building and Improvements	$ 2,353,862	$ 459,709	$ -	$ 2,813,571
Machinery and Equipment	946,229	496,287	-	1,442,516
Recreation	110,593	-	-	110,593
Governmental Activities Capital Assets at Historical Cost	$ 3,410,684	$ 955,996	$ -	$ 4,366,680

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, 2025, are as follows:

	Balance Outstanding Jan. 1, 2025	Additions	Reductions	Balance Outstanding Dec. 31, 2025	Amounts Due Within One Year
Governmental Activities:					
General Obligation Note -Series of 2021					
Direct placement with ESSA Bank & Trust; fixed interest rate of 2.25%; principal payable in annual installments of $55,000, interest payable quarterly; matures December 1, 2030	$ 330,000	$ -	$ (55,000)	$ 275,000	$ 55,000
	$ 330,000	$ -	$ (55,000)	$ 275,000	$ 55,000

6. Long-Term Debt (Continued)

The annual debt service requirements to maturity for governmental-type direct placement notes, including interest are as follows, as of December 31, 2025:

During the year ended December 31,	Principal	Interest
2026	$ 55,000	$ 6,188
2027	55,000	4,950
2028	55,000	3,712
2029	55,000	2,475
2030	55,000	1,030
Totals	$ 275,000	$ 18,355

The Borough's outstanding General Obligation Note from a direct placement, of $275,000 at December 31, 2025, was issued under the Pennsylvania Local Government Unit Debt Act to refinance prior indebtedness and to finance capital improvements. The note is a general obligation of the Borough, secured by a pledge of the Borough's full faith, credit and taxing power. No specific assets have been pledged as collateral. The note provides that interest accrues at the stated rate on overdue principal and, to the extent permitted by law, on overdue interest. The note does not contain termination events or subjective acceleration clauses with finance-related consequences. The Borough may prepay principal at any time without penalty. The Borough has no unused lines of credit.

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	State Liquid Fuels Fund	Totals
Unassigned	$ 1,633,391	$ -	$ -	$ -	$ 1,633,391
Restricted	25,961	180,358	3,486	420,844	630,649
Committed	138,756	-	-	-	138,756
Assigned	23,606	-	-	-	23,606
Totals	$ 1,821,714	$ 180,358	$ 3,486	$ 420,844	$ 2,426,402

8. Inter-fund Receivables and Payables

Inter-fund receivable and payable balances as of December 31, 2025 as follows:

	Due From Other Funds	Due to Other Funds
Governmental Activities		
General Fund	$ 377,120	$ -
Capital Projects Fund	-	372,748
Business-Type Activities		
Stormwater Fund	-	4,372
	$ 377,120	$ 377,120

9. Inter-fund Transfers

Inter-fund transfers during 2025 were as follows:

	Transfers from Other Funds	Transfers to Other Funds
Governmental Activities		
General Fund	$ -	$ 595,622
Capital Projects Fund	595,622	-
	$ 595,622	$ 595,622

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. The Borough's contributions paid to the plan during 2025 were $27,254.

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, 2025 and the two previous fiscal years, no settlements exceeded insurance coverage.

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, 2025, 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.

Leases

The Borough entered a long-term copier lease agreement commencing in January 2024 with a monthly lease payment of $195. The lease expires December 2028. Lease payments are recognized as expenditures when paid.

13. Prior Period Restatement

It was determined that expenditures for the street light improvement project should have been reflected as capital assets as of December 31, 2024, rather than expenditures. This correction increased governmental activities capital assets and decreased 2024 expenses by $49,311; the 2024 change in net position was understated by the same amount. The effect of this correction on beginning government-wide net position is summarized in the table below:

	Governmental Activities Net Position
Net Position - December 31, 2024	$ 5,460,976
In previously issued financial statements, the Borough recorded project costs related to the Street Light Improvement Project as expenditures. It was determined that the costs were to be reflected as capital assets at December 31, 2024	49,311
Net Position - December 31, 2024, As Restated	$ 5,510,287

14. Subsequent Events

Management has considered events subsequent to December 31, 2025 that affect the Borough through October 6, 2026, 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 recognition or disclosure.

On April 15, 2026, the Bath Borough Stormwater Authority (the Authority), a blended component unit of the Borough, approved and accepted a PENNVEST funding offer for the Bath Borough Stormwater Authority Basin and Rain Garden Project, which is designated as a Green Reserve Project. On May 11, 2026, Borough Council adopted Ordinance No. 2026-744, which authorizes the Borough to incur lease rental debt under the Pennsylvania Local Government Unit Debt Act in connection with its guarantee of the Authority's PENNVEST loan, in a maximum principal amount of $1,045,000 for a term not to exceed 30 years.

On July 6, 2026, the Authority closed on the PENNVEST loan in the amount of $800,000. The loan bears interest at 1.000% for years 1 through 5 and 1.743% for years 6 through maturity. The loan terms provide for an amortization period of 240 months and an interest-only period of up to 36 months. Estimated monthly payments are $3,679.15 for years 1 through 5 and $3,883.54 for years 6 through maturity. The loan is secured by a first lien on the Authority's stormwater revenues and by an assignment of the lease agreement between the Authority and the Borough relating to operation of the stormwater system. The Borough has guaranteed the loan, secured by a pledge of its taxing power.

Because the loan closed after December 31, 2025, no related cash receipt, cash disbursement, or liability is reflected in the accompanying modified cash basis financial statements as of December 31, 2025.

SUPPLEMENTARY INFORMATION

BOROUGH OF BATH
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES – MODIFIED CASH BASIS – BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2025

	Actual	Original Budget	Final Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED				
Taxes	$ 1,490,330	$ 1,416,200	$ 1,416,200	$ 74,130
Licenses and Permits	77,099	75,830	75,830	1,269
Fines and Forfeitures	22,238	25,800	25,800	(3,562)
Interest and Rents	101,901	61,777	61,777	40,124
Intergovernmental Revenues	58,223	40,338	40,338	17,885
Charges for Services	45,577	26,700	26,700	18,877
Other Revenues	75,012	-	-	75,012
Total Revenues Received	$ 1,870,380	$ 1,646,645	$ 1,646,645	$ 223,735
EXPENDITURES PAID				
General Government	$ 482,670	$ 589,411	$ 589,411	$ 106,741
Public Safety	204,464	205,009	205,009	545
Public Works - Highways and Streets	408,369	530,627	530,627	122,258
Culture and Recreation	65,740	59,878	59,878	(5,862)
Insurance and Employee Benefits	237,297	113,180	113,180	(124,117)
Debt Service - Principal Retirement	55,000	55,000	55,000	-
Debt Service - Interest	7,428	9,900	9,900	2,472
Total Expenditures Paid	1,460,968	1,563,005	1,563,005	102,037
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	409,412	83,640	83,640	325,772
Other Financing Sources (Uses)				
Transfers In	-	32,000	32,000	(32,000)
Transfers Out	(595,622)	(115,640)	(115,640)	(479,982)
Total Other Financing Sources (Uses), Net	(595,622)	(83,640)	(83,640)	(511,982)
DEFICIT OF REVENUES RECEIVED AND OTHER FINANCING SOURCES UNDER EXPENDITURES PAID AND OTHER FINANCING USES	(186,210)	-	-	(186,210)
FUND BALANCE - JANUARY 1, 2025	2,007,924	2,007,924	2,007,924	-
FUND BALANCE - DECEMBER 31, 2025	$ 1,821,714	$ 2,007,924	$ 2,007,924	$ (186,210)

See independent auditor's report on supplementary information.

BOROUGH OF BATH
STATE LIQUID FUELS FUND – SCHEDULE OF REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES – MODIFIED CASH BASIS – BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2025

	Actual	Original Budget	Final Budget	Variance Favorable (Unfavorable)
REVENUES RECEIVED				
Interest and Rents	$ 5,039	$ 2,000	$ 2,000	$ 3,039
Intergovernmental Revenues	70,128	68,644	68,644	1,484
Total Revenues Received	$ 75,167	$ 70,644	$ 70,644	$ 4,523
EXPENDITURES PAID				
Public Works - Highways and Streets	$ -	$ -	$ -	$ -
Total Expenditures Paid	-	-	-	-
EXCESS OF REVENUES RECEIVED OVER EXPENDITURES PAID	75,167	70,644	70,644	4,523
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	(30,500)	(30,500)	30,500
Total Other Financing Sources (Uses), Net	-	(30,500)	(30,500)	30,500
EXCESS OF REVENUES RECEIVED AND OTHER FINANCING SOURCES OVER EXPENDITURES PAID AND OTHER FINANCING USES	75,167	40,144	40,144	35,023
FUND BALANCE - JANUARY 1, 2025	345,677	345,677	345,677	-
FUND BALANCE - DECEMBER 31, 2025	$ 420,844	$ 385,821	$ 385,821	$ 35,023

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*

To the Members of the 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 Borough of Bath as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Borough of Bath's basic financial statements and have issued our report thereon dated October 6, 2026.

Report on Internal Control Over Financial Reporting

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, Foppold & Yurasits LLP

October 6, 2026