

**Borough of Baldwin**

Primary Government  
Financial Statements and  
Required Supplementary Information

Year Ended December 31, 2018  
with Independent Auditor's Report

**MaherDuessel**

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# BOROUGH OF BALDWIN

YEAR ENDED DECEMBER 31, 2018

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YEAR ENDED DECEMBER 31, 2018

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## Independent Auditor's Report

### **Members of Council Borough of Baldwin**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Baldwin (Borough), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis for Adverse Opinion on Discretely Presented Component Unit**

The financial statements do not include financial data for the Borough's legally separate component unit (Baldwin Public Library). Accounting principles generally accepted in the United States of America require financial data for that component unit to be reported with the financial data of the Borough's primary government unless the Borough also issues financial statements for the financial reporting entity that include the financial data for its component unit. The Borough has not issued such reporting entity financial statements.

### **Adverse Opinion on Discretely Presented Component Unit**

In our opinion, because of the significance of the matter described in "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the Borough as of December 31, 2018, or the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Borough as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the Borough adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* which requires the Borough to record the total OPEB liability and related items on the government-wide financial statements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Omission of Management's Discussion and Analysis*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Maher Duessel*

Pittsburgh, Pennsylvania  
August 21, 2019

# BOROUGH OF BALDWIN

## STATEMENT OF NET POSITION

DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 1,416,759	\$ 3,357,611	\$ 4,774,370
Cash and cash equivalents - restricted	1,013,710	3,201,755	4,215,465
Taxes receivable, net	985,111	-	985,111
Accounts receivable - sewage, net	-	577,054	577,054
Other receivables	27,648	-	27,648
Prepaid expenses	196,722	9,131	205,853
Internal balances	(66,359)	66,359	-
Total current assets	<u>3,573,591</u>	<u>7,211,910</u>	<u>10,785,501</u>
Noncurrent assets:			
Capital assets, not being depreciated	1,291,730	584,829	1,876,559
Capital assets, net of accumulated depreciation	3,367,752	18,855,687	22,223,439
Total noncurrent assets	<u>4,659,482</u>	<u>19,440,516</u>	<u>24,099,998</u>
Total Assets	<u>8,233,073</u>	<u>26,652,426</u>	<u>34,885,499</u>
<b>Deferred Outflows of Resources:</b>			
Deferred charges on refunding	-	204,993	204,993
Deferred outflows of resources for pension	4,046,636	-	4,046,636
Total Deferred Outflows of Resources	<u>4,046,636</u>	<u>204,993</u>	<u>4,251,629</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>\$ 12,279,709</u></u>	<u><u>\$ 26,857,419</u></u>	<u><u>\$ 39,137,128</u></u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 365,218	\$ 570,328	\$ 935,546
Unearned revenue	100,000	-	100,000
Accrued payroll	-	6,385	6,385
Accrued interest payable	19,328	-	19,328
Bonds payable	232,928	652,073	885,001
AIM loan payable	32,118	25,209	57,327
Capital leases payable	97,649	-	97,649
Compensated absences	22,936	-	22,936
Other liabilities	40,111	-	40,111
Total current liabilities	<u>910,288</u>	<u>1,253,995</u>	<u>2,164,283</u>
Noncurrent liabilities:			
Bonds payable	4,958,583	21,321,417	26,280,000
Less discount on bonds	-	(290,232)	(290,232)
AIM loan payable	69,554	73,938	143,492
Capital leases payable	68,922	-	68,922
Compensated absences	853,845	-	853,845
OPEB liability	5,814,554	-	5,814,554
Net pension liability	8,864,070	-	8,864,070
Total noncurrent liabilities	<u>20,629,528</u>	<u>21,105,123</u>	<u>41,734,651</u>
Total Liabilities	<u>21,539,816</u>	<u>22,359,118</u>	<u>43,898,934</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows of resources for pension	<u>1,422,603</u>	<u>-</u>	<u>1,422,603</u>
Total Liabilities and Deferred Inflows of Resources	<u>22,962,419</u>	<u>22,359,118</u>	<u>45,321,537</u>
<b>Net Position:</b>			
Net investment in capital assets	213,438	1,064,859	1,278,297
Restricted:			
Supplies and street lighting	117,012	-	117,012
Unrestricted	(11,013,160)	3,433,442	(7,579,718)
Total Net Position	<u>(10,682,710)</u>	<u>4,498,301</u>	<u>(6,184,409)</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u><u>\$ 12,279,709</u></u>	<u><u>\$ 26,857,419</u></u>	<u><u>\$ 39,137,128</u></u>

The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total	
			Grants and Contributions	Grants and Contributions				
<b>Governmental Activities:</b>								
General government	\$ 671,932	\$ 683,265	\$ -	\$ -	\$ 11,333	\$ -	\$ 11,333	
Public safety - police	4,566,306	188,249	79,512	-	(4,298,545)	-	(4,298,545)	
Public safety - fire	340,087	-	86,291	-	(253,796)	-	(253,796)	
Public safety - other	241,055	-	-	-	(241,055)	-	(241,055)	
Public works - sanitation	1,389,828	-	5,985	-	(1,383,843)	-	(1,383,843)	
Public works - highways	3,178,123	-	591,811	-	(2,586,312)	-	(2,586,312)	
Culture and recreation - library	685,000	-	-	-	(685,000)	-	(685,000)	
Culture and recreation - other	49,995	6,955	-	-	(43,040)	-	(43,040)	
Interest on long-term debt	171,174	-	-	-	(171,174)	-	(171,174)	
Insurance and employee benefits	1,304,697	-	299,801	-	(1,004,896)	-	(1,004,896)	
Total governmental activities	<u>12,598,197</u>	<u>878,469</u>	<u>1,063,400</u>	<u>-</u>	<u>(10,656,328)</u>	<u>-</u>	<u>(10,656,328)</u>	
<b>Business-Type Activities:</b>								
Swimming pool	196,563	76,005	-	-	-	(120,558)	(120,558)	
Sewer system	5,372,510	5,454,985	-	-	-	82,475	82,475	
Total business-type activities	<u>5,569,073</u>	<u>5,530,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,083)</u>	<u>(38,083)</u>	
<b>Total Primary Government</b>	<b>\$ 18,167,270</b>	<b>\$ 6,409,459</b>	<b>\$ 1,063,400</b>	<b>\$ -</b>	<b>(10,656,328)</b>	<b>(38,083)</b>	<b>(10,694,411)</b>	
<b>General revenues:</b>								
Taxes:								
Property taxes, levied for general purposes					5,719,510	-	5,719,510	
Earned income taxes					2,557,204	-	2,557,204	
Other taxes levied for general purposes					442,290	-	442,290	
County sales tax (Act 77)					600,022	-	600,022	
Cable franchise fees					406,497	-	406,497	
PURTA and alcohol beverage tax					9,962	-	9,962	
Investment earnings					88,100	129,584	217,684	
Other					878	-	878	
Loss on disposal of capital assets					(8,844)	-	(8,844)	
Transfers					(76,661)	76,661	-	
Total general revenues					<u>9,738,958</u>	<u>206,245</u>	<u>9,945,203</u>	
<b>Change in Net Position</b>								
<b>Net Position:</b>								
Beginning of year, restated					<u>(9,765,340)</u>	<u>4,330,139</u>	<u>(5,435,201)</u>	
End of year					<u>\$ (10,682,710)</u>	<u>\$ 4,498,301</u>	<u>\$ (6,184,409)</u>	

The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2018

	General Fund	Capital Improvements Fund	Other Governmental Highway Aid Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,293,764	\$ 5,983	\$ 117,012	\$ 1,416,759
Cash and cash equivalents - restricted	-	1,013,710	-	1,013,710
Taxes receivable, net	985,111	-	-	985,111
Other receivables	27,648	-	-	27,648
Prepaid expenses	196,722	-	-	196,722
<b>Total Assets</b>	<b>\$ 2,503,245</b>	<b>\$ 1,019,693</b>	<b>\$ 117,012</b>	<b>\$ 3,639,950</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 365,218	\$ -	\$ -	\$ 365,218
Unearned revenue	-	100,000	-	100,000
Other liabilities	40,111	-	-	40,111
Due to other funds	66,359	-	-	66,359
<b>Total Liabilities</b>	<b>471,688</b>	<b>100,000</b>	<b>-</b>	<b>571,688</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	374,889	-	-	374,889
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>846,577</b>	<b>100,000</b>	<b>-</b>	<b>946,577</b>
<b>Fund Balance:</b>				
Nonspendable - prepaids	196,722	-	-	196,722
<b>Restricted:</b>				
Supplies and street lighting	-	-	117,012	117,012
Capital improvements	-	913,710	-	913,710
Assigned - capital improvements	-	5,983	-	5,983
Unassigned	1,459,946	-	-	1,459,946
<b>Total Fund Balance</b>	<b>1,656,668</b>	<b>919,693</b>	<b>117,012</b>	<b>2,693,373</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 2,503,245</b>	<b>\$ 1,019,693</b>	<b>\$ 117,012</b>	<b>\$ 3,639,950</b>

The notes to the primary government financial statements are an integral part of this statement.

## BOROUGH OF BALDWIN

### RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2018

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 2,693,373</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$9,988,224 and the accumulated depreciation is \$5,328,742.

4,659,482

Property taxes and earned income taxes receivable will be collected next year, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.

374,889

The net pension liability is not reflected on the fund financial statements.

(8,864,070)

Deferred outflows and inflows of resources for pension are recorded and amortized in the statement of net position. However, these items are not recorded on the fund financial statements.

2,624,033

The total OPEB liability for the police and service employees are not recorded on the fund financial statements.

(5,814,554)

Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Additionally, accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the funds. Long-term liabilities at year-end consist of:

Bonds payable	\$ (5,191,511)
Capital leases payable	(166,571)
Loans payable	(101,672)
Accrued interest on payable	(19,328)
Compensated absences	<u>(876,781)</u>
	<u>(6,355,863)</u>
<b>Total Net Position - Governmental Activities</b>	<b><u>\$ (10,682,710)</u></b>

The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2018

	General Fund	Capital Improvements Fund	Other Governmental Highway Aid Fund	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 9,397,160	\$ -	\$ -	\$ 9,397,160
Licenses and permits	406,737	-	-	406,737
Fines and forfeitures	164,571	-	-	164,571
Interest and rents	57,963	31,656	5,436	95,055
Intergovernmental	504,630	-	579,764	1,084,394
Charges for services	705,686	-	-	705,686
Other	2,027	-	-	2,027
Total revenues	<u>11,238,774</u>	<u>31,656</u>	<u>585,200</u>	<u>11,855,630</u>
<b>Expenditures:</b>				
Current:				
General government	962,638	234	-	962,872
Public safety - police	3,693,799	-	-	3,693,799
Public safety - fire	330,577	-	-	330,577
Public safety - other	234,314	-	-	234,314
Public works - sanitation	1,350,894	69	-	1,350,963
Public works - highway	2,494,892	-	579,222	3,074,114
Culture and recreation - library	685,000	-	-	685,000
Culture and recreation - other	680,114	-	-	680,114
Capital outlay	35,000	-	-	35,000
Debt service:				
Principal	319,499	-	-	319,499
Interest	171,694	-	-	171,694
Insurance and employee benefits	<u>1,304,697</u>	<u>-</u>	<u>-</u>	<u>1,304,697</u>
Total expenditures	<u>12,263,118</u>	<u>303</u>	<u>579,222</u>	<u>12,842,643</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,024,344)</b>	<b>31,353</b>	<b>5,978</b>	<b>(987,013)</b>
<b>Other Financing Sources (Uses):</b>				
Refunds of prior year revenues	(11,164)	-	-	(11,164)
Proceeds from AIM note	80,400	-	-	80,400
Proceeds from capital lease obligation	35,000	-	-	35,000
Operating transfers in	1,355,788	-	86	1,355,874
Operating transfers out	(76,747)	(1,355,788)	-	(1,432,535)
Total other financing sources (uses)	<u>1,383,277</u>	<u>(1,355,788)</u>	<u>86</u>	<u>27,575</u>
<b>Net Change in Fund Balance</b>	<b>358,933</b>	<b>(1,324,435)</b>	<b>6,064</b>	<b>(959,438)</b>
<b>Fund Balance:</b>				
Beginning of year	<u>1,297,735</u>	<u>2,244,128</u>	<u>110,948</u>	<u>3,652,811</u>
End of year	<u>\$ 1,656,668</u>	<u>\$ 919,693</u>	<u>\$ 117,012</u>	<u>\$ 2,693,373</u>

The notes to the primary government financial statements are an integral part of this statement.

## BOROUGH OF BALDWIN

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

<b>Net Change in Fund Balance - Governmental Funds</b>	\$ (959,438)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation, loss on disposals, and capital outlays in the current period.

Capital outlays	\$ 1,158,154
Loss on disposal of capital assets	(8,844)
Less: depreciation expense	<u>(297,082)</u>
	852,228

Some taxes will not be collected until after the year-end; they are not considered "available" revenues in the governmental funds. Unavailable revenues changed by this amount during the year.

(78,134)

The issuance of long-term obligations provides financial resources to the governmental funds. Likewise, the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. Long-term obligations changed by this amount during the year.

204,099

Changes in the net pension liability and related deferred inflows of resources and deferred outflows of resources do not affect current financial resources and, therefore, are not reflected on the fund financial statements.

(881,389)

Changes in the OPEB liability does not affect current financial resources and, therefore, is not reflected on the fund financial statements.

(88,488)

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest accrued in the statement of activities versus the amount due is shown here.

520

Compensated absences are not recorded on the fund financial statements. The value of this item changed by this amount during the year.

33,232

<b>Change in Net Position of Governmental Activities</b>	<u>\$ (917,370)</u>
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The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED DECEMBER 31, 2018

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues:</b>				
Taxes	\$ 9,094,000	\$ 9,154,000	\$ 9,397,160	\$ 243,160
Licenses and permits	432,240	432,240	406,737	(25,503)
Fines and forfeitures	69,000	69,000	164,571	95,571
Interest and rents	30,550	32,350	57,963	25,613
Intergovernmental	510,700	511,300	504,630	(6,670)
Charges for services	183,650	387,152	705,686	318,534
Other	5,000	5,491	2,027	(3,464)
Total revenues	10,325,140	10,591,533	11,238,774	647,241
<b>Expenditures:</b>				
General government	1,341,253	924,018	962,638	(38,620)
Public safety - police	3,804,476	3,775,939	3,693,799	82,140
Public safety - fire	346,500	346,500	330,577	15,923
Public safety - other	266,923	267,882	234,314	33,568
Public works - sanitation	1,402,716	1,425,216	1,350,894	74,322
Public works - highway	2,262,531	2,335,631	2,494,892	(159,261)
Culture and recreation - library	185,000	185,000	685,000	(500,000)
Culture and recreation - other	818,584	1,277,026	680,114	596,912
Capital outlay	-	- A	35,000	(35,000)
Debt service	517,280	506,980	491,193	15,787
Insurance and employee benefits	1,270,768	1,273,426	1,304,697	(31,271)
Total expenditures	12,216,031	12,317,618	12,263,118	54,500
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,890,891)</b>	<b>(1,726,085)</b>	<b>(1,024,344)</b>	<b>701,741</b>
<b>Other Financing Sources (Uses):</b>				
Refunds of prior year revenues	(20,000)	(20,000)	(11,164)	8,836
Proceeds from AIM note	-	-	80,400	80,400
Proceeds from general obligation bonds	705,000	705,000	-	(705,000)
Proceeds from capital asset disposition	4,000	4,000	-	(4,000)
Proceeds from capital lease obligation	-	- A	35,000	35,000
Operating transfers in	2,211,560	1,105,780	1,355,788	250,008
Operating transfers out	(85,000)	(85,000)	(76,747)	8,253
Total other financing sources (uses)	2,815,560	1,709,780	1,383,277	(326,503)
<b>Net Change in Fund Balance</b>	<b>\$ 924,669</b>	<b>\$ (16,305)</b>	<b>358,933</b>	<b>\$ 375,238</b>
<b>Fund Balance:</b>				
Beginning of year			1,297,735	
End of year			<u>\$ 1,656,668</u>	

**A -** Capital leases are accounted for as an other financing source and expenditures in the year the lease was entered into for the full value of the lease. The Borough does not budget for the full amount of the capital lease.

The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2018

	Sewer System Fund	Other Enterprise Swimming Pool Fund	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 3,356,561	\$ 1,050	\$ 3,357,611
Cash and cash equivalents - restricted	3,201,755	-	3,201,755
Accounts receivable - sewage, net	577,054	-	577,054
Prepays	9,131	-	9,131
Due from other funds	66,359	-	66,359
Total current assets	<u>7,210,860</u>	<u>1,050</u>	<u>7,211,910</u>
Noncurrent assets:			
Sewer infrastructure	22,021,092	-	22,021,092
Swimming pool	-	2,471,541	2,471,541
Equipment	924,313	-	924,313
Construction in progress	584,829	-	584,829
Accumulated depreciation	(4,819,755)	(1,741,504)	(6,561,259)
Total noncurrent assets	<u>18,710,479</u>	<u>730,037</u>	<u>19,440,516</u>
Total Assets	<u>25,921,339</u>	<u>731,087</u>	<u>26,652,426</u>
<b>Deferred Outflows of Resources:</b>			
Deferred charges on refunding	<u>204,993</u>	<u>-</u>	<u>204,993</u>
<b>Total Assets and Deferred Outflows of Resources</b>			
	<u><b>\$ 26,126,332</b></u>	<u><b>\$ 731,087</b></u>	<u><b>\$ 26,857,419</b></u>
<b>Liabilities and Net Position</b>			
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 570,009	\$ 319	\$ 570,328
Accrued payroll	6,385	-	6,385
Bonds payable	652,073	-	652,073
AIM loan payable	25,209	-	25,209
Total current liabilities	<u>1,253,676</u>	<u>319</u>	<u>1,253,995</u>
Noncurrent liabilities:			
Bonds payable	21,321,417	-	21,321,417
AIM loan payable	73,938	-	73,938
Less discount on bonds	(290,232)	-	(290,232)
Total Noncurrent Liabilities	<u>21,105,123</u>	<u>-</u>	<u>21,105,123</u>
Total Liabilities	<u>22,358,799</u>	<u>319</u>	<u>22,359,118</u>
<b>Net Position:</b>			
Net investment in capital assets	334,822	730,037	1,064,859
Unrestricted	3,432,711	731	3,433,442
Total Net Position	<u>3,767,533</u>	<u>730,768</u>	<u>4,498,301</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 26,126,332</u></b>	<b><u>\$ 731,087</u></b>	<b><u>\$ 26,857,419</u></b>

The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2018

	Sewer System Fund	Other Enterprise Swimming Pool Fund	Total
<b>Operating Revenues:</b>			
User charges	\$ 5,206,040	\$ 76,005	\$ 5,282,045
Total operating revenues	<u>5,206,040</u>	<u>76,005</u>	<u>5,282,045</u>
<b>Operating Expenses:</b>			
Administration	898,102	134,326	1,032,428
Engineering services	67,742	-	67,742
Maintenance	64,453	20,188	84,641
Depreciation	486,441	42,049	528,490
Insurance and employee benefits	95,086	-	95,086
Sanitation - ALCOSAN	2,150,912	-	2,150,912
Sanitation - Pleasant Hills	881,635	-	881,635
Total operating expenses	<u>4,644,371</u>	<u>196,563</u>	<u>4,840,934</u>
<b>Net Operating Income (Loss)</b>	<b>561,669</b>	<b>(120,558)</b>	<b>441,111</b>
<b>Non-operating Revenues (Expenses):</b>			
Shared contracted intergovernmental services	100,000	-	100,000
Interest income	129,583	1	129,584
Interest expense	(728,139)	-	(728,139)
Total non-operating revenues (expenses)	<u>(498,556)</u>	<u>1</u>	<u>(498,555)</u>
<b>Capital Contributions:</b>			
Tap-in fees	148,945	-	148,945
Total capital contributions	<u>148,945</u>	<u>-</u>	<u>148,945</u>
<b>Income (Loss) before Transfers</b>	<b>212,058</b>	<b>(120,557)</b>	<b>91,501</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	76,661	76,661
<b>Change in Net Position</b>	<b>212,058</b>	<b>(43,896)</b>	<b>168,162</b>
<b>Net Position:</b>			
Beginning of year	3,555,475	774,664	4,330,139
End of year	<u>\$ 3,767,533</u>	<u>\$ 730,768</u>	<u>\$ 4,498,301</u>

The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2018

	Sewer System Fund	Other Enterprise Swimming Pool Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from user charges	\$ 5,227,780	\$ 76,005	\$ 5,303,785
Cash paid for operations and maintenance	(4,095,708)	(154,195)	(4,249,903)
Net cash provided by (used in) operating activities	<u>1,132,072</u>	<u>(78,190)</u>	<u>1,053,882</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Payments for tap-in fees	148,945	-	148,945
Purchase of capital assets	(634,216)	-	(634,216)
Cash received from shared contracted intergovernmental services	100,000	-	100,000
Principal debt service payments	(651,556)	-	(651,556)
Interest debt service payments	(728,139)	-	(728,139)
Net cash provided by (used in) capital and related financing activities	<u>(1,764,966)</u>	<u>-</u>	<u>(1,764,966)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest and dividends	129,583	1	129,584
<b>Cash Flows From Non-Capital Financing Activities:</b>			
Transfers (to) from other funds	208,491	76,661	285,152
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(294,820)</b>	<b>(1,528)</b>	<b>(296,348)</b>
<b>Cash and Cash Equivalents:</b>			
Beginning of year	6,853,136	2,578	6,855,714
End of year	<u>\$ 6,558,316</u>	<u>\$ 1,050</u>	<u>\$ 6,559,366</u>
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>			
Net operating income (loss)	\$ 561,669	\$ (120,558)	\$ 441,111
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	486,441	42,049	528,490
Amortization expense	12,995	-	12,995
Change in assets and liabilities:			
Accounts receivable - sewage	21,740	-	21,740
Prepaid expenses	(1,726)	-	(1,726)
Accrued payroll	(272)	-	(272)
Accounts payable	51,225	319	51,544
Net cash provided by (used in) operating activities	<u>\$ 1,132,072</u>	<u>\$ (78,190)</u>	<u>\$ 1,053,882</u>

The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## STATEMENT OF NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2018

	Police Pension Fund	Service Employees Pension Fund	Total
<b>Assets</b>			
Investments:			
Equity mutual funds	\$ 11,159,158	\$ 1,924,805	\$ 13,083,963
Fixed income mutual funds	4,549,073	1,291,036	5,840,109
<b>Total Assets</b>	<b>\$ 15,708,231</b>	<b>\$ 3,215,841</b>	<b>\$ 18,924,072</b>
<b>Net Position</b>			
Net Position:			
Restricted for pension benefits	\$ 15,708,231	\$ 3,215,841	\$ 18,924,072
<b>Total Net Position</b>	<b>\$ 15,708,231</b>	<b>\$ 3,215,841</b>	<b>\$ 18,924,072</b>

The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2018

	Police Pension Fund	Service Employees Pension Fund	Total
<b>Additions:</b>			
Contributions:			
Borough	\$ 705,962	\$ 12,101	\$ 718,063
Commonwealth	224,851	74,950	299,801
Plan members	215,055	29,994	245,049
Other income	4,637	599	5,236
<b>Total contributions</b>	<b>1,150,505</b>	<b>117,644</b>	<b>1,268,149</b>
Investment earnings (loss):			
Net appreciation (depreciation) in fair value of investments	(2,564,660)	(463,770)	(3,028,430)
Interest and dividends	1,034,021	242,836	1,276,857
<b>Total investment earnings (loss)</b>	<b>(1,530,639)</b>	<b>(220,934)</b>	<b>(1,751,573)</b>
<b>Total additions</b>	<b>(380,134)</b>	<b>(103,290)</b>	<b>(483,424)</b>
<b>Deductions:</b>			
Benefits	896,313	190,107	1,086,420
Administrative expenses	31,064	18,565	49,629
Other expenses	-	-	-
<b>Total deductions</b>	<b>927,377</b>	<b>208,672</b>	<b>1,136,049</b>
<b>Change in Net Position</b>	<b>(1,307,511)</b>	<b>(311,962)</b>	<b>(1,619,473)</b>
<b>Net Position:</b>			
Beginning of year	17,015,742	3,527,803	20,543,545
<b>End of year</b>	<b>\$ 15,708,231</b>	<b>\$ 3,215,841</b>	<b>\$ 18,924,072</b>

The notes to the primary government financial statements are an integral part of this statement.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### 1. The Reporting Entity

The Borough of Baldwin (Borough) was incorporated under the laws of the Commonwealth of Pennsylvania in 1952 and operates under an elected Mayor-Council form of government. Members of Council (Council) appoint a Borough Secretary to administer the day-to-day operations of the Borough. The major functions of the Borough include public safety, maintenance of the Borough infrastructure, sanitation and sewage control, maintenance of parks and other recreational facilities for use by Borough residents, and general administrative functions necessary to facilitate Borough resident needs and responsibilities.

Consistent with applicable guidance, the criteria used by the Borough to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the Borough reviews the applicability of the following criteria:

The Borough is financially accountable for:

1. Organizations that make up the legal entity.
2. Legally separate organizations if the Council appoints a voting majority of the organizations' governing body and the Borough is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough.
  - a. Impose its Will - If the Borough can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
  - b. Financial Benefit or Burden - Exists if the Borough (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
3. Organizations that are fiscally dependent on the Borough. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the Borough.
4. In management's judgment, exclusion of the component unit would render the financial statements misleading.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### **Component Unit**

The following separately administered organization meets the criteria for inclusion in the Borough's reporting entity.

#### Baldwin Public Library

The Baldwin Public Library (Library) is a non-profit educational institution. The Library is primarily funded through public donations and an annual subsidy from the Borough. The Borough contributed \$185,000 to the Library during 2018. All members of the Library Board must be approved and appointed by the Council. Although the Library qualifies for inclusion in the Borough's financial reporting entity, Borough management has opted to exclude the Library from these primary government financial statements. Separate financial statements for the Library are available at the Library.

On February 1, 2018, the Borough, in consideration of one dollar and other good and valuable consideration paid by the Library, sold and conveyed to the Library a building located at 5230 Wolfe Drive, Pittsburgh, Pennsylvania, 15236 (Property). The Borough and Library were joint applicants in seeking a grant from the Pennsylvania Department of Education's Keystone Recreation, Park, & Conservation Fund in the amount of \$500,000 to fund the conversion of the Property into a library facility. The Borough's Library facility will relocate to the Property upon conversion.

Prior to the sale, on October 17, 2017, the Borough and Library entered into a lease agreement, which commences on the date the Library moves into the Property and expires twenty-five years thereafter, plus any partial month necessary to cause the lease to expire on the last day of the month. The Borough has the option to extend the lease term for three additional periods of twenty-five years each upon giving written notice to the Library not later than ninety days before the expiration of the initial lease term or any extended lease term. The Borough shall pay to the Library annual rent in the amount of one dollar on or before January 1 of each calendar year during lease term or any extended lease term. As additional rent and consideration for its use of the premises, the Borough shall also reimburse the Library for certain costs and provide certain services to the Property as set forth in the lease.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### 2. Summary of Significant Accounting Policies

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Borough. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

#### Revenue Classification on the Government-Wide Statement of Activities

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers for services provided and rents, 2) operating grants, and 3) capital grants. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds are also reported on the accrual basis; however, they have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within 60 days to pay liabilities of the current period. Major revenues that are susceptible to accrual in governmental funds are taxes, grants from other governments, and interest on investments. The Borough does not consider revenues from fines, forfeits, and penalties to be available until received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and OPEBs, and claims and judgments, are recorded only when payment is due.

The Borough reports the following major governmental funds:

The *General Fund* is the Borough's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The *Capital Improvements Fund* is used to account for disbursements related to capital projects within the Borough.

Additionally, the Borough reports on the following governmental fund:

The *Highway Aid Fund* is established and restricted under Act 655 of the Commonwealth of Pennsylvania. Funding is received from the Commonwealth of Pennsylvania and is restricted in use for the maintenance, repair, and construction of roads, streets, and bridges for which the Borough is responsible.

The Borough reports the following major proprietary fund:

The *Sewer System Fund* is used to account for resources derived from sewer billings to Borough residents and related disbursements.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's proprietary funds are charges to customers for sales and services.

Additionally, the Borough reports on the following proprietary fund:

The *Swimming Pool Fund* is used to account for resources derived from the swimming pool user fees and related disbursements.

Additionally, the Borough reports the following fiduciary funds:

The *Pension Trust Funds* are used to account for assets held by the Borough in a trustee capacity for employee retirement. These funds were established to provide pension benefits for the Borough's eligible policemen and service employees.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Borough considers all investments with maturities of three months or less when purchased as cash.

### Fair Value Measurement

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

### Allowance for Doubtful Accounts

Receivables are reported at their net value. Where appropriate, receivables are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2018, the Borough reported an allowance for doubtful accounts in the General Fund of \$487,004

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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related to real estate taxes and in the Sewer Fund of \$99,096 related to sewer charges. Sewer receivables also include sewer charges based on billings made during the following month and unbilled charges.

### Prepaid Items

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are accounted for on the consumption method.

### Capital Assets

Capital assets, which include property, plant, equipment, and sewer infrastructure assets, are reported in the applicable governmental or proprietary fund and business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as land, buildings, equipment, and infrastructure valued at more than \$15,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The Borough has elected to account for general infrastructure assets (roads, bridges, sidewalks, and similar items) prospectively from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 (calendar year 2004 for the Borough). The Borough reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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Capital assets of the Borough are depreciated using the straight-line method over the following estimated useful lives:

Sewer infrastructure	40 years
System infrastructure	30 years
Swimming pool	30 years
Buildings	40 years
Site improvements	10-25 years
Parks and playgrounds	20 years
Equipment	5-10 years

### Compensated Absences

In accordance with the terms of its various collective bargaining unit agreements, the Borough is responsible to pay eligible employees up to 100 days (police) and 75 days (service employees) of accumulated unused sick days at their daily rate of pay upon separation of service from the Borough. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements. As of December 31, 2018, the value of accumulated sick days to be paid in future years is \$876,781.

### Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as refunding adjustments, where applicable and to the extent material, are amortized over the life of the bonds using the effective interest method.

In the fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are also reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable - This category represents funds that are not in spendable form and includes prepaid expenses.
- Restricted - This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties.
- Committed - This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Council. Such commitment is made via a Council resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Council resolution. The Borough currently does not have any committed funds.
- Assigned - This category represents intentions of the Borough to use the funds for specific purposes.
- Unassigned - This category represents all other funds not otherwise defined.

The Borough's policy is to use funds in the order of the most restrictive to the least restrictive.

### Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ than those estimates.

### Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds. Annual operating budgets are adopted each fiscal year through the passage of an annual budget ordinance. The same basis of accounting is used to reflect actual revenues and

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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expenditures/expenses recognized on a GAAP basis, with exception of capital leases. Capital leases are accounted for as an other financing source and expenditure in the year the lease is entered into for the full value of the lease. The difference between the basis used and that which is consistent with GAAP is not material.

The Borough may, in its reasonable discretion, modify the budget after its final adoption provided such modifications are within the current year's revenues or such additional monies as required therefore are promptly made available through borrowing as allowed by law.

All annual appropriations lapse at year-end. The level of control (level at which expenditures cannot legally exceed appropriations) over expenditures in budgeted funds is by department.

### Interfund Receivables, Payables, and Transfers

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Individual fund receivable and payable balances at December 31, 2018, as well as interfund transfers for the year ended December 31, 2018, were as follows:

Fund	Transfer In	Transfer Out	Due To	Due From
<b>Governmental activities:</b>				
General Fund	\$ 1,355,788	\$ 76,747	\$ 66,359	\$ -
Capital Improvements Fund	-	1,355,788	-	-
Highway Aid Fund	86	-	-	-
Grant Fund	-	-	-	-
<b>Business-type activities:</b>				
Swimming Pool Fund	76,661	-	-	-
Sewer System Fund	-	-	-	66,359
<b>Total</b>	<b>\$ 1,432,535</b>	<b>\$ 1,432,535</b>	<b>\$ 66,359</b>	<b>\$ 66,359</b>

Transactions between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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The due from the General Fund to the Sewer System Fund relates to temporary cash flow loans. Transfers primarily related to funds provided by the General Fund to the Swimming Pool Fund and Highway Aid Fund to support operations and transfers from the Capital Improvements Fund to the General Fund as reimbursement for capital expenditures incurred.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough has one item that qualifies for reporting in this category:

The deferred charge on refunding resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has one item that qualifies for reporting in this category:

Unavailable revenue is reported only on the balance sheet and represents property taxes which will not be collected within the available period. This amount will be recognized as an inflow of resources in the period the amounts become available.

### Deferred Outflows/Inflows of Resources for Pension

In conjunction with pension accounting requirements, the difference between expected and actual experience, changes in assumptions, and the net difference between expected and actual earnings on pension plan investments is recorded as a deferred outflow/inflow of resources related to pensions on the government-wide financial statements. This amount is determined based on the actuarial valuations performed for the pension plans. Note 7 presents additional information about the pension plans.

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### Net Position

The Borough classifies net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with restricted assets.
- Unrestricted - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. The Borough's deficit net position at December 31, 2018 in governmental activities relates primarily to unfunded long-term liabilities for pension and OPEB benefits.

### Adopted Pronouncements

GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,”* was adopted in the current year by the Borough. As a result of this implementation, the government-wide net position as of January 1, 2018 was restated with a decrease of \$3,992,403 to record the Borough’s OPEB liability as it relates to its post-employment benefits plan. The OPEB liability is further described in Note 12.

The following GASB Statements were also adopted for the year ended December 31, 2018: Statement Nos. 85 (Omnibus) and 86 (Certain Debt Extinguishment Issue). These statements had no significant impact on the Borough’s financial statements for the year ended December 31, 2018.

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### Pending Pronouncements

GASB has statements that will become effective in future years, including Statement Nos. 83 (Certain Asset Retirement Obligations), 84 (Fiduciary Activities), 87 (Leases), 88 (Certain Disclosures Related to Debt), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), 90 (Majority Equity Interests), and 91 (Conduit Debt Obligations). Management has not yet determined the impact of these statements on the financial statements.

### **3. Deposits and Investments**

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. government obligations, short-term commercial paper issued by a public corporation, banker's acceptances, insured or collateralized time deposits, and certificates of deposit. The statutes allow pooling of governmental funds for investment purposes. Fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The Borough does not have a formal deposit and investment policy; as such, the Borough has no policy on custodial credit risk, credit risk, interest rate risk, or concentration of credit risk. The Borough adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts. There were no deposit or investment transactions during the year that were in violation of state statutes.

The following is a description of the Borough's deposit and investment risks:

#### Deposits

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. As of December 31, 2018, \$4,547,133 of the Borough's bank balance of \$4,797,133 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. As of December 31, 2018, the carrying amounts of the Borough's deposits were \$4,760,441.

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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In addition to the deposits noted above, included in cash and cash equivalents is the following short-term investment:

Pennsylvania Local Government Investment Trust (PLGIT) of \$4,229,394. PLGIT has received an AAA rating from Standard & Poor's. The investments in PLGIT are "pooled" with other local governments and school districts in an effort to maximize return and minimize costs associated with investing. PLGIT invests in two basic types of federal securities: obligations backed by the full faith and credit of the United States Government and short-term obligations of the United States Government or its agencies or instrumentalities (which may or may not be backed by the full faith and credit of the United States Government). The PLGIT Trust may also invest in full faith and credit obligations of the Commonwealth of Pennsylvania and its agencies and may also have repurchase agreements. Finally, the trust is also authorized to invest in certificates of deposit which are insured by the FDIC or which are collateralized as provided by law. The Borough's investments in PLGIT is the same as the value of the pool shares and is reported at amortized cost, which approximates market. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. \$4,113,920 of the Borough's investments in PLGIT is a program designed for the investment of bond proceeds only, consisting of a portfolio which operates like a money market fund and individual portfolios of investors. This option has no minimum initial investment requirement and has a minimum investment period of one day. \$115,474 of the Borough's investments in PLGIT is a variable rate investment portfolio which requires no minimum balance, no minimum initial investment, and limits redemptions or exchanges to two per calendar month.

### Pension

The Pension Trust Funds' investments are held separately from those of other Borough funds. Assets in the Pension Trust Funds are stated at fair value and are comprised of various mutual funds.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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The Pension Trust Fund investments are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The following table summarizes the Borough's investments related to its Pension Trust Funds at December 31, 2018:

Investment	Police	Service	Total
Mutual funds:			
Fixed income	\$ 4,549,073	\$ 1,291,036	\$ 5,840,109
Equity	11,159,158	1,924,805	13,083,963
Total	<u>\$ 15,708,231</u>	<u>\$ 3,215,841</u>	<u>\$ 18,924,072</u>

At December 31, 2018, all of the Borough's investments are considered Level 1. Equity and fixed income mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those funds.

The following is a description of the Pension Trust Funds' deposit and investment risks:

*Credit Risk* - For investments, the risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds have an investment policy that limits its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2018, the Borough's investments were comprised entirely of mutual funds and were not rated.

*Interest Rate Risk* – The Pension Trust Funds investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Credit Risk* – The Pension Trust Funds place no limit on the amount invested in any one issuer.

Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term and that such changes could materially affect the amount reported on the combining statement of fiduciary net position.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

### 4. Capital Assets

A summary of changes in capital assets during fiscal year 2018 is as follows:

	Balance at January 1, 2018	Additions	Deletions/ Transfers	Balance at December 31, 2018
<b>Governmental Activities:</b>				
Non-depreciable assets:				
Land	\$ 1,291,730	\$ -	\$ -	\$ 1,291,730
Depreciable assets:				
Buildings	5,293,179	1,073,414	-	6,366,593
Machinery and equipment	931,423	30,790	-	962,213
Vehicles	1,225,203	53,950	(130,384)	1,148,769
Furniture and fixtures	218,919	-	-	218,919
	7,668,724	1,158,154	(130,384)	8,696,494
Less: accumulated depreciation:				
Buildings	(3,581,978)	(136,409)	-	(3,718,387)
Machinery and equipment	(612,859)	(73,828)	-	(686,687)
Vehicles	(797,759)	(78,707)	121,540	(754,926)
Furniture and fixtures	(160,604)	(8,138)	-	(168,742)
	(5,153,200)	(297,082)	121,540	(5,328,742)
Total depreciable assets	2,515,524	861,072	(8,844)	3,367,752
Governmental activities capital assets, net	\$ 3,807,254	\$ 861,072	\$ (8,844)	\$ 4,659,482

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

	Balance at January 1, 2018	Additions	Deletions/ Transfers	Balance at December 31, 2018
<b>Business-Type Activities:</b>				
Non-depreciable assets:				
Construction in progress	\$ 80,149	\$ 504,680	\$ -	\$ 584,829
Depreciable assets:				
Sewer infrastructure	21,984,981	36,111	-	22,021,092
Swimming pool	2,471,541	-	-	2,471,541
Equipment	830,887	93,426	-	924,313
	<u>25,287,409</u>	<u>129,537</u>	<u>-</u>	<u>25,416,946</u>
Less: accumulated depreciation:				
Sewer infrastructure	(3,834,741)	(386,098)	-	(4,220,839)
Swimming pool	(1,699,455)	(42,049)	-	(1,741,504)
Equipment	(498,573)	(100,343)	-	(598,916)
	<u>(6,032,769)</u>	<u>(528,490)</u>	<u>-</u>	<u>(6,561,259)</u>
Total depreciable assets	<u>19,254,640</u>	<u>(398,953)</u>	<u>-</u>	<u>18,855,687</u>
Business-type activities				
capital assets, net	\$ 19,334,789	\$ 105,727	\$ -	\$ 19,440,516

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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Depreciation expense was charged to functions/programs of the Borough as follows:

**Governmental Activities:**

General government	\$ 27,700
Public safety	122,515
Public works	127,302
Culture and recreation	<u>19,565</u>
 Total depreciation expense - governmental activities	 <u>\$ 297,082</u>

**Business-Type Activities:**

Sewer	\$ 486,441
Pool	<u>42,049</u>
 Total depreciation expense - business-type activities	 <u>\$ 528,490</u>

## 5. Real Estate Taxes

Real estate taxes based on assessed valuations provided by Allegheny County (County) are levied on February 1 of the taxable year. The 2018 assessed value of real estate property totaled approximately \$936.6 million. Real estate taxes are billed and collected by an elected tax collector. Taxes paid by April 15 are given a 2% discount. Amounts paid after June 1 are assessed a 10% penalty. Any uncollected balances at the end of the year following the taxable year are collected by an outside service.

Under the Borough Code, the Borough is permitted to levy real estate taxes up to 30 mills for general purposes. Additional taxes may be levied for certain specified purposes. Borough real estate taxes were levied at the rate of 6.28 mills.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### 6. Long-Term Debt

#### Capital Leases

The Borough has entered into various capital leases for vehicles with maturity dates ranging from 2019 to 2021. Interest rates for these leases range from 2.60% to 6.50%. These leases require either quarterly or annual payments of principal and interest and contain a bargain purchase option at the end of the lease term. During the year ended December 31, 2018, the Borough made lease payments of \$88,480.

The future minimum lease obligations and the net present value of the minimum lease payments related to these capital leases as of December 31, 2018 were as follows:

2019	\$ 103,271
2020	58,057
2021	9,970
Less: amounts representing interest	<u>(4,727)</u>
Present value of minimum lease payments	<u>\$ 166,571</u>

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Long-term debt activity for the year ended December 31, 2018 was as follows:

	January 1, 2018	Additions	Reductions	Refunding	December 31, 2018	Due Within One Year
<b>Governmental activities:</b>						
G.O. Bonds - 2015	\$ 3,380,000	\$ -	\$ (150,000)	\$ -	\$ 3,230,000	\$ 155,000
G.O. Bonds - 2017	2,037,212	-	(75,701)	-	1,961,511	77,928
AIM Loan	26,590	80,400	(5,318)	-	101,672	32,118
Capital leases	220,051	35,000	(88,480)	-	166,571	97,649
Compensated absences	910,013	-	(33,232)	-	876,781	22,936
OPEB liability *	5,726,066	360,131	(271,643)	-	5,814,554	-
Net pension liability	5,804,781	4,322,196	(1,262,907)	-	8,864,070	-
Governmental activities long-term liabilities	<u>\$ 18,104,713</u>	<u>\$ 4,797,727</u>	<u>\$ (1,887,281)</u>	<u>\$ -</u>	<u>\$ 21,015,159</u>	<u>\$ 385,631</u>
<b>Business-type activities:</b>						
G.O. Bonds - 2011	\$ 955,000	\$ -	\$ (230,000)	\$ -	\$ 725,000	\$ 235,000
G.O. Bonds - 2012 A	2,280,000	-	(255,000)	-	2,025,000	260,000
G.O. Bonds - 2012 B	10,990,000	-	(20,000)	-	10,970,000	20,000
G.O. Bonds - 2015	5,850,000	-	(40,000)	-	5,810,000	40,000
G.O. Bonds - 2017	2,537,789	-	(94,299)	-	2,443,490	97,073
AIM Loan	126,045	-	(26,898)	-	99,147	25,209
Business-type activities long-term liabilities	<u>\$ 22,738,834</u>	<u>\$ -</u>	<u>\$ (666,197)</u>	<u>\$ -</u>	<u>\$ 22,072,637</u>	<u>\$ 677,282</u>

\* = OPEB liability is restated as of January 1, 2018.

### General Obligation Bonds - 2011

In 2011, the Borough issued \$7,425,000 in General Obligation Bonds Series of 2011 (2011 bonds) with interest rates from 1.0% to 4.0%. The 2011 bonds are due serially through November 2032. Payments made semi-annually on May 1 and November 1. Proceeds were used to currently refund the Borough's two Pennvest 2002 notes and the Pennvest 2003 note and pay for sewer repairs. As of December 31, 2018, none of the defeased remained outstanding. During 2015, the Borough partially refunded \$5,450,000 of the outstanding 2011 bonds, leaving at the time of refunding, the total amount outstanding on the 2011

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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bonds at \$1,185,000. These bonds are expected to be repaid from future sewer system revenues.

### General Obligation Bonds – 2012

In 2012, the Borough issued \$3,360,000 in General Obligation Bonds Series 2012 A (2012A bonds) and \$11,010,000 in General Obligation Bonds Series of 2012 B (2012B bonds) with interest rates from 1.0% to 3.65%. The 2012A and 2012B Bonds are due serially through November 2043. Payments made semi-annually on May 1 and November 1. Proceeds were used to currently refund \$3,315,179 of the Borough's Pennvest 2004 note and \$620,000 of the 2011 bonds and pay for sewer repairs. These bonds are expected to be repaid from future sewer system revenues.

### General Obligation Bonds – 2015

In 2015, the Borough issued \$3,670,000 in General Obligation Bonds Series 2015 (2015 bonds) with interest rates from 0.8% to 3.5%. The 2015 Bonds are due serially through December 2035. Payments made semi-annually on June 1 and December 1. Proceeds are to fund a variety of capital projects including improvements to the Borough's building, municipal pool, parks, and playgrounds and pay the costs of issuing the bonds. These bonds are expected to be repaid from future tax revenues.

### General Obligation Bonds – Refunding 2015

In 2015, the Borough issued \$5,885,000 in General Obligation Bonds Refunding Series 2015 (2015 refunding bonds) with interest rates from 2.0% to 3.1%. The 2015 refunding bonds are due serially through November 2032. Payments made semi-annually on May 1 and November 1. Proceeds were used to advance refund a portion of the Borough's 2011 bonds and pay the costs of issuance. As a result, that portion of the 2011 bonds is defeased, and the Borough has removed that portion of the liability from its accounts. The outstanding principal of the defeased bonds is \$5,350,000 at December 31, 2018. These bonds are expected to be repaid from future sewer system revenues.

### General Obligation Bonds – 2017

In 2017, the Borough issued \$4,575,000 in General Obligation Bonds Series 2017 (2017 bonds) with interest rates from 2.00% to 3.75%. The 2017 Bonds are due serially through December 2035. Payments made semi-annually on May 1 and November 1. Proceeds are

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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to fund a variety of capital projects in the Borough and pay the costs of issuing the bonds. These bonds are expected to be repaid from future tax revenues and from future sewer system revenues.

Annual debt service requirements of the Borough's General Obligations Bonds are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 232,928	\$ 164,093	\$ 652,073	\$ 690,335
2020	235,154	158,499	664,846	675,521
2021	242,381	152,834	682,619	659,401
2022	249,607	146,998	695,393	774,268
2023	254,060	140,578	715,940	625,889
2024-2028	1,376,471	596,435	3,868,529	2,838,800
2029-2033	1,377,843	370,108	4,157,158	2,255,434
2034-2038	1,223,067	101,768	5,321,932	1,502,299
2039-2043	-	-	5,215,000	579,630
Total	<u>\$ 5,191,511</u>	<u>\$ 1,831,313</u>	<u>\$ 21,973,490</u>	<u>\$ 10,601,577</u>

### AIM Loans

In 2017, the Borough entered into a \$152,635 loan agreement with the Authority for Improvements in Municipalities (AIM), a municipal authority formed under the Municipal Authorities Act of 1945. The interest rate on the loan is 1.34%. Principal and interest on the loan are due annually in September through 2022. The proceeds were used to fund capital equipment purchases by the Borough. This loan is expected to be paid from future tax revenues and from future sewer system revenues.

In 2017, the Borough entered into a \$80,400 loan agreement with AIM, a municipal authority formed under the Municipal Authorities Act of 1945. The interest rate on the loan is 1.34%. Principal and interest on the loan are due annually in February through 2021. The proceeds were used to fund Streets Run Road Project by the Borough. This loan is expected to be paid from future tax revenues and from future sewer system revenues. Although the agreement was entered in 2017, the funds were not received until 2018.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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Annual debt service requirements of the Borough's AIM loans are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 32,118	\$ 1,362	\$ 25,209	\$ 1,351
2020	32,118	932	25,209	1,013
2021	32,118	502	25,209	676
2022	5,318	71	25,209	338
Total	<u>\$ 101,672</u>	<u>\$ 2,867</u>	<u>\$ 100,836</u>	<u>\$ 3,378</u>

## 7. Pension Plans

### Summary of Significant Accounting Policies

Financial information of the Borough's pensions plans (Plans) is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due as required by applicable law.

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Investments of the plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Assets of the plans are invested primarily in mutual funds and common/collective funds. There were no investment transactions with related parties during the year.

### Plan Descriptions

The Borough administers two single-employer defined benefit pension plans that cover substantially all full-time employees: Police Pension Plan (Police Plan) and Service Employees Pension Plan (Service Employees' Plan). Both plans provide retirement benefits and special provisions for death benefits to plan members.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth of Pennsylvania (Act). The plans do not issue separate reports.

The plans are governed by the Council, which is responsible for the management of Plan assets. Signature Financial Planning and the Hartford Life Insurance Company have been designated by the Borough to handle investment management in both plans. Resources accumulated to provide pension benefits are presented in the Borough's financial statements as the Pension Trust Funds.

At December 31, 2018, Plan membership consisted of the following:

	Police	Service Employees
Inactive plan members or beneficiaries currently receiving benefits	24	18
Inactive plan members entitled to but not yet receiving benefits	1	5
Active plan members	25	11
<b>Total plan members</b>	<b>50</b>	<b>34</b>

The pension plans provide pension benefits, deferred allowances, and death and disability benefits. The Borough makes annual contributions to the pension plans equal to the amount required to adequately fund the benefits provided under the plans.

Specific provisions of each plan are presented below:

### **Police:**

A policeman hired prior to January 1, 2010, may retire after reaching the age of 50 with 25 years of service with the Borough. Those hired on or after January 1, 2010, may retire after reaching the age of 55 with 25 years of service. Benefits vest after 12 years of service. Policemen who retire at or after age 50 with 25 or more years of service are entitled to pension payments for the remainder of their lives equal to 50% of their final monthly average salary plus a service increment, if any. The final monthly average salary is the average monthly compensation earned during the last 36 months of active service. The service increment is \$20 per month for each year service exceeds 25 years, up to a maximum of \$100 per month. The plan also contains a cost-of-living adjustment for policemen.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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Pension provisions include death and disability benefits whereby the disabled policeman or surviving spouse is entitled to receive payments. A surviving spouse, until death, will continue to receive a survivor benefit in the amount of 50% of the monthly retirement benefit. In the event of death, each of the participant's dependent children will receive an equal share of the benefit until their 18<sup>th</sup> birthday. The disabled policeman is entitled to receive disability payments for life equal to 50% of final 36 months' average salary offset by Social Security disability benefits.

### **Service Employees:**

A member may retire after reaching the age of 62 and accumulating 12 years of aggregate service with the Borough. Participants are fully vested after completion of seven years of service. Employees who retire are entitled to pension payments for the remainder of their lives equal to 1.5% of their final 60 months' average compensation times the number of full years for which they were employed by the Borough. The maximum benefit is 46% of average earnings.

Pension provisions include death and disability benefits whereby the disabled employee or surviving spouse is entitled to receive payments. A surviving spouse will receive a refund of contributions with interest and a lump sum of vested accrued benefit if death occurs before retirement; after retirement the surviving spouse receives the benefit payment in force at the time death occurs. The disabled employee is entitled to receive a refund of contribution with interest and a monthly benefit equal to the vested accrued benefit a date of disablement.

Both plans provide terminated employees with a return of their contributions, plus interest.

### Contributions and Funding Policy

The Plans are funded by the Borough on an annual basis pursuant to the provisions of the Act. The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation. Employees are not required to contribute under the Act; such contributions are subject to collective bargaining. The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO, which exceeds the Commonwealth of Pennsylvania allocation must be funded by the Borough.

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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For the year ended December 31, 2018, employee contributions were required as follows: Police contributed 8.0% and Service Employees contributed 4.0%. Certain pension information and calculations are based upon an actuarial valuation performed as of January 1, 2017; however, this valuation is not used for funding purposes. The January 1, 2015 valuation was used in the calculation of the Borough's 2018 MMO.

The Commonwealth of Pennsylvania allocates certain funds to assist in pension funding. Any financial requirement established by the MMO which exceeds the Commonwealth of Pennsylvania allocation must be funded by the Borough. Payments made to the plans were sufficient to meet the MMOs in 2018. The following table reflects contribution information for 2018:

	Police	Service Employees	Total
MMO	\$ 930,813	\$ 87,051	\$ 1,017,864
Contributions:			
Borough	\$ 705,962	\$ 12,101	\$ 718,063
Allocation of state aid	224,851	74,950	299,801
Total	930,813	87,051	1,017,864
Employee	215,055	29,994	245,049
Total contributions	\$ 1,145,868	\$ 117,045	\$ 1,262,913
Covered payroll	\$ 2,769,625	\$ 695,704	
Employee contributions as a % of covered payroll	7.76%	4.31%	

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the appropriate plan and funded from investment earnings.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### Net Pension Liability

The components of the net pension liability of the Plans at December 31, 2018 were as follows:

	Police	Service Employees
Total pension liability	\$ 23,826,873	\$ 3,961,269
Plan fiduciary net position	<u>(15,708,231)</u>	<u>(3,215,841)</u>
Net pension liability	<u><u>\$ 8,118,642</u></u>	<u><u>\$ 745,428</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>65.93%</u></u>	<u><u>81.18%</u></u>

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods in the measurement:

	Police	Service Employees
Actuarial valuation date	1/1/2017	1/1/2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	4.25%	5.00%
Underlying inflation rate	2.75%	2.75%

RP-2014 Mortality Table, with rates set forward 5 years for disabled members. Mortality improvement based on the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report. Post-retirement only.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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*Changes in Actuarial Assumptions* – Based upon an actuarial valuation performed as of January 1, 2017, there were no changes in actuarial assumptions.

*Investment Policy* – The Plans' policies in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

*Long-Term Expected Rate of Return* – The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2018:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	Police	Service Employees	Police	Service Employees
Equities	60.0%	60.0%	5.0%-7.0%	1.0%-3.0%
Fixed income	40.0%	40.0%	5.0%-7.0%	1.0%-3.0%
	<u>100.0%</u>	<u>100.0%</u>		

*Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2018, the annual money-weighted rate of return on the Police and Service Employees Plan investments, net of investment expense, was (9.10%) and (6.34%), respectively.

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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*Concentrations* – At December 31, 2018, the Plan had no investments in any one issuer that represented 5% or more of either Plan's fiduciary net position.

*Discount Rate* – The discount rate used to measure the total pension liability for the Police Plan and Service Employees Plan was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Borough's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate* – The following presents the net pension liability (asset) of the Plans calculated using the discount rates described above, as well as what the Plans' net pension liabilities (assets) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Police Plan	\$ 11,070,720	\$ 8,118,642	\$ 5,655,901
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Service Employees Plan	\$ 1,170,294	\$ 745,428	\$ 381,146

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### Changes in the Net Pension Liability

The changes in the net pension liability of the Police Plan at December 31, 2018 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 22,530,354	\$ 17,015,742	\$ 5,514,612
Changes for the year:			
Service cost	551,332	-	551,332
Interest	1,641,500	-	1,641,500
Differences between expected and actual	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	930,813	(930,813)
Contributions - employee	-	215,055	(215,055)
Other income	-	-	-
Net investment income	-	(1,523,768)	1,523,768
Benefit payments, including refunds	(896,313)	(896,313)	-
Administrative expense	-	(33,298)	33,298
Other expenses	-	-	-
Net changes	<u>1,296,519</u>	<u>(1,307,511)</u>	<u>2,604,030</u>
Balances at December 31, 2018	<u>\$ 23,826,873</u>	<u>\$ 15,708,231</u>	<u>\$ 8,118,642</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>65.93%</u>

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

The changes in the net pension liability of the Service Employees' Plan at December 31, 2018 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2017	\$ 3,818,272	\$ 3,527,803	\$ 290,469
Changes for the year:			
Service cost	58,789	-	58,789
Interest	274,315	-	274,315
Differences between expected and actual	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	87,051	(87,051)
Contributions - employee	-	29,988	(29,988)
Other income	-	-	-
Net investment income	-	(218,987)	218,987
Benefit payments, including refunds	(190,107)	(190,107)	-
Administrative expense	-	(19,907)	19,907
Other expenses	-	-	-
Net changes	<u>142,997</u>	<u>(311,962)</u>	<u>454,959</u>
Balances at December 31, 2018	<u>\$ 3,961,269</u>	<u>\$ 3,215,841</u>	<u>\$ 745,428</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>81.18%</u>

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

### Pension Expense and Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2018, the Borough recognized pension expense of \$1,898,955. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to the Plans from the following sources:

	Police	Service Employees
<b>Deferred Outflows of Resources:</b>		
Differences between expected and actual experience	\$ 323,650	\$ 17
Changes in assumption	631,194	108,662
Net difference between projected and actual earnings on pension plan investments	<u>2,549,107</u>	<u>434,006</u>
Total deferred outflows of resources	<u><u>\$ 3,503,951</u></u>	<u><u>\$ 542,685</u></u>
<b>Deferred Inflows of Resources:</b>		
Differences between expected and actual experience	\$ 250,032	\$ 37,931
Changes in assumption	13,968	-
Net difference between projected and actual earnings on pension plan investments	<u>911,792</u>	<u>208,880</u>
Total deferred inflows of resources	<u><u>\$ 1,175,792</u></u>	<u><u>\$ 246,811</u></u>

Amortization of the deferred outflows of resources and deferred inflows of resources related to the Plans is as follows:

Year ending December 31,	Police	Service Employees
2019	\$ 912,198	\$ 121,995
2020	479,972	50,983
2021	387,412	29,024
2022	<u>548,577</u>	<u>93,872</u>
Total	<u><u>\$ 2,328,159</u></u>	<u><u>\$ 295,874</u></u>

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### **8. Defined Contribution Plan**

The Borough also provides pension benefits for its service employees hired after January 1, 2011 through a defined contribution pension plan (plan). This plan is in accordance with Internal Revenue Code Section 414(H). Benefits to retired employees depend on amounts contributed plus investment earnings. Employee contributions to the plan as specified in the plan document are 2% of base compensation for all service employees.

Employee contributions during 2018 were \$10,345. Employer contributions during 2018 were \$31,037.

### **9. Deferred Compensation Plan**

The Borough provides all full-time employees an option to participate in a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457 (Section 457). The Plan permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to the employee until termination, retirement, or death. At December 31, 2018, all amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust solely for the benefit of the participants. Deferred compensation assets at December 31, 2018 totaled approximately \$1.332 million. Under the provisions of GASB Statement No. 32, *“Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,”* the Plan is not required to be included in the Borough’s financial statements.

### **10. Commitments and Contingent Liabilities**

Various claims and lawsuits are pending against the Borough. The ultimate outcome of these claims and lawsuits cannot presently be determined and, accordingly, no provision for amounts arising from settlements has been made in these financial statements. In the opinion of management and legal counsel, the effect on the financial statements of potential losses on any claim and/or lawsuit should not be material.

In 1997, the United States Environmental Protection Agency (USEPA) identified 51 communities tributary to the Allegheny County Sanitary Authority (ALCOSAN) whose

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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sanitary sewers had been subject to wet weather overflows. The Borough signed an Administrative Consent Order (ACO) in 2004. The ACO details the timetable for completion of each phase which will involve inspecting, mapping, correcting, and monitoring the sewer system. The Borough is subject to a civil penalty for untimely completion of each term or provision of the ACO. The Borough paid \$24,000 in civil penalties for the year ended December 31, 2018.

The Borough participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. The Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Borough.

At December 31, 2018, the Borough had approximately \$29,000 in outstanding construction commitments related to governmental activities for Elm Leaf Park construction and \$56,000 in outstanding construction commitments related to business-type activities for an equalization basin.

### **11. Risk Management**

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Borough carries commercial insurance. There have been no significant changes in insurance coverage since the prior year.

For its worker's compensation insurance coverage, the Municipality participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of approximately 200 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Worker's Compensation Act and Occupational Disease Act of each and every participant of

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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the Trust. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The Trust purchases excess insurance coverage with statutory limits. The retention for this excess coverage is \$750,000 per occurrence. There were no significant reductions in insurance coverage from coverage in the prior year. Political subdivisions joining the Trust must remain members for a minimum of four years; a member may withdraw from the Trust after that time by giving ninety days' notice, subject to approval by the Trust actuary under specified circumstances related to the continued fiscal stability of the pool. At the time of withdrawal, the participant is responsible for their share of assessments but has no claim on any other assets of the Trust. Estimates of any additional assessments are unknown.

### **12. Other Post-Employment Benefits (OPEBs)**

#### Plan Description

In addition to the pension benefits described in Note 7, the Borough provides post-employment health care benefits to all retired police officers and non-uniformed union employees, in accordance with collective bargaining agreements, as well as certain non-union employees. The plan is a single-employer defined benefit plan. The benefit limits and employee and employer contributions are established through the agreements. The plan is not accounted for as a trust fund, an irrevocable trust has not been established, and the plan does not issue a separate report. Expenditures for post-retirement health care benefits are recognized in the General Fund when paid by the Borough.

The Borough provides post-retirement medical, dental, and vision coverage to all eligible police retirees in accordance with the requirements set forth by the collective bargaining agreement. Upon early, normal, or disability retirement, the Borough will provide coverage at the level in effect at retirement. The coverage will continue until the earlier of eligibility for similar coverage from another source, the retiree's Medicare eligibility, or the retiree's death. Retirees hired after December 31, 2005 must contribute, on a monthly basis, the dollar amount equal to the premium increases from the time of retirement. Retirees who waive coverage shall receive annual compensation equal to 33% of the premium for applicable coverage.

The Borough provides post-retirement medical, dental, and vision coverage to all eligible non-uniformed, union, and certain non-union retirees. Upon attaining age 62, the Borough

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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will provide coverage at the individual level. The coverage will continue until the retiree's Medicare eligibility. Retirees are not required to contribute.

As of January 1, 2018 (the date of the latest actuarial valuation), 13 retirees met the eligibility requirements to receive OPEBs.

### Contributions

The contribution requirements of OPEB Plan members and the Borough are established and may be amended by the Borough. The OPEB plan is not funded. The employer's contributions are financed on a pay-as-you-go basis. In 2018, the Borough paid \$271,643 in OPEB premiums, net of reimbursement.

### Total OPEB Liability

The Borough's total OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability for the current year was computed as of the latest actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	1/1/2018
Actuarial cost method	Entry Age Normal
Amortization method	Straight-line
Asset valuation method	N/A - the OPEB plan is unfunded
Actuarial assumptions:	
Investment rate of return	3.25%
Assumed retirement age	Police: later of age 55 & 25 years service Other employees: age 62
Healthcare cost trends:	
# of years	3 years 4 years 5 years 6 years Ultimate
Non-Medicare	9% 8% 7% 6% 5%
Medicare	4% 4% 4% 4% 4%

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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A few assumptions were updated for the January 1, 2018 actuarial report that impacted the calculation of the total OPEB liability. The significant changes from the January 1, 2015 actuarial report were the reduction of the interest rate assumption from 4.50% to 3.25%, change in mortality table used, and clarification that retiring police officers who were hired after 2005 will not be contributing toward their OPEB benefits.

### Changes in the Total OPEB Liability

The changes in the total OPEB liability of the Borough for the year ended December 31, 2018 were as follows:

	Total OPEB Liability
Balance at 12/31/17	\$ 5,726,066
<b>Changes for the year:</b>	
Service cost	172,797
Interest	187,334
Benefits paid	<u>(271,643)</u>
Balances at 12/31/18	<u>\$ 5,814,554</u>

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following represents the total OPEB liability calculated using the stated discount rate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

1% Decrease (2.25%)	Current Discount Rate (3.25%)	1% Increase (4.25%)
<u>\$ 6,340,439</u>	<u>\$ 5,814,554</u>	<u>\$ 5,342,674</u>

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### Sensitivity of the Total OPEB Liability to Changes in the Medical Trend Rate

The following presents the total OPEB liability calculated using the stated medical trend assumption, as well as what the total OPEB liability would be if it were calculated using the medical trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

1% Decrease	Current	1% Increase
\$ 5,261,222	\$ 5,814,554	\$ 6,444,725

### OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2018, the Borough recognized OPEB expense of \$88,488.

At December 31, 2018, the Borough reported no deferred inflows and deferred outflows of resources related to OPEBs.

### **13. Municipal Employers Insurance Trust**

The Borough participates as a member in Municipal Employers Insurance Trust (d/b/a Municipal Benefit Services (MBS)), a public entity risk pool. MBS provides certain benefits including, but not limited to, the following coverages: health benefits, short-term accident and sickness disability benefits, long-term accident and sickness disability benefits, dental benefits, vision care, prescription drugs, and life insurance for those eligible employers. All participants of MBS may be subject to supplemental premiums based on the overall experience of the participating members. Reserves generated by MBS for self-insured health premiums paid by members exceeding claims and expenses are held by MBS for the benefit of all participating members. A portion of the excess reserves are deposited in eligible clients' Rate Mitigation Accounts (RMA) as determined by the MBS's actuary. RMA funds are held by MBS and are available to the Borough to reduce future costs associated with participating coverage. RMA funds are forfeited if the member terminates participation in the MBS medical insurance program. The Borough's RMA funds were approximately \$39,800 as of December 31, 2018.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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### **14. Guarantee of Debt**

The Borough guarantees certain obligations of the Pleasant Hills Authority (Authority) and the Library. Outstanding obligations guaranteed by the Borough at December 31, 2018 consist of the following:

#### Guaranteed Revenue Note, Series of 2017

On June 29, 2017, the Pennsylvania Infrastructure Investment Authority (Pennvest) approved a loan up to the maximum amount of \$17,474,300 to fund the cost of constructing alterations, additions, and improvements to the Authority's sanitary sewer system, bearing interest at 1.387% for the first sixty months and 2.001% for the remainder of the loan term. Interest-only payments on the unpaid principal are payable monthly beginning with the first calendar month following a loan advance. Upon final draw-down by the Authority, the unpaid principal and interest become due and payable according to the amortization schedule in the loan agreement. The outstanding balance of the loan is \$11,551,502 at December 31, 2018.

#### Guaranteed Loan

In 2018, the Library entered into a \$600,000 loan agreement with Bridgeway Capital, Inc. The interest rate on the loan is 5.75%. Interest-only payments will be made for eighteen months, followed by one hundred one (101) equal monthly payments of principal and interest as if the loan were fully amortized over twenty years. The proceeds are to be used to fund the conversion of the Property into a library facility. The Borough has guaranteed the obligation of the Library.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## BOROUGH OF BALDWIN

### SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

#### SCHEDULE OF CHANGES IN THE BOROUGH'S NET PENSION LIABILITY AND RELATED RATIOS

##### SERVICE EMPLOYEES PLAN

YEARS ENDED DECEMBER 31,

	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>					
Service cost	\$ 58,789	\$ 66,983	\$ 56,701	\$ 58,717	\$ 58,379
Interest	274,315	262,965	247,009	240,839	226,001
Differences between expected and actual experience	-	(82,555)	-	713	-
Changes of assumptions	-	236,500	-	-	-
Benefit payments, including refunds of member contributions	(190,107)	(141,129)	(127,583)	(124,519)	(126,253)
<b>Net Changes in Total Pension Liability</b>	<b>142,997</b>	<b>342,764</b>	<b>176,127</b>	<b>175,750</b>	<b>158,127</b>
<b>Total Pension Liability - Beginning</b>	<b>3,818,272</b>	<b>3,475,508</b>	<b>3,299,381</b>	<b>3,123,631</b>	<b>2,965,504</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 3,961,269</b>	<b>\$ 3,818,272</b>	<b>\$ 3,475,508</b>	<b>\$ 3,299,381</b>	<b>\$ 3,123,631</b>
<b>Plan Fiduciary Net Position:</b>					
Contributions - employer	\$ 87,051	\$ 105,518	\$ 103,101	\$ 104,941	\$ 110,814
Contributions - member	29,988	32,710	31,459	31,075	23,679
Other income	-	3,194	-	-	-
Net investment income	(218,987)	535,954	241,159	(79,640)	120,319
Benefit payments, including refunds of member contributions	(190,107)	(141,129)	(127,583)	(124,519)	(126,253)
Administrative expense	(19,907)	(18,534)	(25,834)	(22,753)	(22,672)
Other expenses	-	(1,776)	-	462	(41,043)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(311,962)</b>	<b>515,937</b>	<b>222,302</b>	<b>(90,434)</b>	<b>64,844</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>3,527,803</b>	<b>3,011,866</b>	<b>2,789,564</b>	<b>2,879,998</b>	<b>2,815,154</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 3,215,841</b>	<b>\$ 3,527,803</b>	<b>\$ 3,011,866</b>	<b>\$ 2,789,564</b>	<b>\$ 2,879,998</b>
<b>Net Pension Liability - Ending (a-b)</b>	<b>\$ 745,428</b>	<b>\$ 290,469</b>	<b>\$ 463,642</b>	<b>\$ 509,817</b>	<b>\$ 243,633</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>81.18%</b>	<b>92.39%</b>	<b>86.66%</b>	<b>84.55%</b>	<b>92.20%</b>
<b>Covered Payroll</b>	<b>\$ 695,704</b>	<b>\$ 729,962</b>	<b>\$ 762,381</b>	<b>\$ 787,288</b>	<b>\$ 789,011</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>107.15%</b>	<b>39.79%</b>	<b>60.81%</b>	<b>64.76%</b>	<b>30.88%</b>

See accompanying notes to schedules of  
required supplementary information.

## BOROUGH OF BALDWIN

### SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

#### SCHEDULE OF CHANGES IN THE BOROUGH'S NET PENSION LIABILITY AND RELATED RATIOS

##### POLICE PLAN

YEARS ENDED DECEMBER 31,

	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>					
Service cost	\$ 551,332	\$ 551,004	\$ 539,842	\$ 514,135	\$ 467,127
Interest	1,641,500	1,554,009	1,471,855	1,392,859	1,338,891
Differences between expected and actual experience	-	(435,242)	-	1,132,778	-
Changes of assumptions	-	1,098,744	-	(48,884)	-
Benefit payments, including refunds of member contributions	(896,313)	(900,769)	(852,543)	(855,971)	(940,073)
<b>Net Changes in Total Pension Liability</b>	<b>1,296,519</b>	<b>1,867,746</b>	<b>1,159,154</b>	<b>2,134,917</b>	<b>865,945</b>
<b>Total Pension Liability - Beginning</b>	<b>22,530,354</b>	<b>20,662,608</b>	<b>19,503,454</b>	<b>17,368,537</b>	<b>16,502,592</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 23,826,873</b>	<b>\$ 22,530,354</b>	<b>\$ 20,662,608</b>	<b>\$ 19,503,454</b>	<b>\$ 17,368,537</b>
<b>Plan Fiduciary Net Position:</b>					
Contributions - employer	\$ 930,813	\$ 991,571	\$ 847,269	\$ 863,379	\$ 858,140
Contributions - member	215,055	218,009	209,289	202,289	242,636
Other income	-	3,656	-	-	-
Net investment income	(1,523,768)	2,345,832	1,296,290	(764,187)	308,358
Benefit payments, including refunds of member contributions	(896,313)	(900,769)	(852,543)	(855,971)	(940,073)
Administrative expense	(33,298)	(57,452)	(51,839)	(54,717)	(49,222)
Other expenses	-	(1,237)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(1,307,511)</b>	<b>2,599,610</b>	<b>1,448,466</b>	<b>(609,207)</b>	<b>419,839</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>17,015,742</b>	<b>14,416,132</b>	<b>12,967,666</b>	<b>13,576,873</b>	<b>13,157,034</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 15,708,231</b>	<b>\$ 17,015,742</b>	<b>\$ 14,416,132</b>	<b>\$ 12,967,666</b>	<b>\$ 13,576,873</b>
<b>Net Pension Liability - Ending (a-b)</b>	<b>\$ 8,118,642</b>	<b>\$ 5,514,612</b>	<b>\$ 6,246,476</b>	<b>\$ 6,535,788</b>	<b>\$ 3,791,664</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>65.93%</b>	<b>75.52%</b>	<b>69.77%</b>	<b>66.49%</b>	<b>78.17%</b>
<b>Covered Payroll</b>	<b>\$ 2,769,625</b>	<b>\$ 2,631,966</b>	<b>\$ 2,499,223</b>	<b>\$ 2,537,780</b>	<b>\$ 2,526,389</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>293.13%</b>	<b>209.52%</b>	<b>249.94%</b>	<b>257.54%</b>	<b>150.08%</b>

See accompanying notes to schedules of  
required supplementary information.

## BOROUGH OF BALDWIN

### SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

#### SCHEDULES OF THE BOROUGH'S CONTRIBUTIONS AND INVESTMENT RETURNS

YEARS ENDED DECEMBER 31,

**SERVICE EMPLOYEES PLAN:**

<b>Schedule of Baldwin Borough's Contributions</b>	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 87,051	\$ 105,518	\$ 103,101	\$ 104,941	\$ 110,814
Contributions in relation to the actuarially determined contribution	<u>87,051</u>	<u>105,518</u>	<u>103,101</u>	<u>104,941</u>	<u>110,814</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	<u>\$ 695,704</u>	<u>\$ 729,962</u>	<u>\$ 762,381</u>	<u>\$ 789,011</u>	<u>\$ 789,011</u>
Contributions as a percentage of covered payroll	12.51%	14.46%	13.52%	13.30%	14.04%

**Investment Returns**

Annual money-weighted rate of return, net of investment expense	-6.34%	18.19%	8.79%	-2.77%	4.32%
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**POLICE PLAN:**

<b>Schedule of Baldwin Borough's Contributions</b>	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 930,813	\$ 991,571	\$ 847,269	\$ 863,379	\$ 858,140
Contributions in relation to the actuarially determined contribution	<u>930,813</u>	<u>991,571</u>	<u>847,269</u>	<u>863,379</u>	<u>858,140</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	<u>\$ 2,769,625</u>	<u>\$ 2,631,966</u>	<u>\$ 2,499,223</u>	<u>\$ 2,526,389</u>	<u>\$ 2,526,389</u>
Contributions as a percentage of covered payroll	33.61%	37.67%	33.90%	34.17%	33.97%

**Investment Returns**

Annual money-weighted rate of return, net of investment expense	-9.10%	16.40%	10.07%	-5.70%	2.35%
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See accompanying notes to schedules of  
required supplementary information.

# BOROUGH OF BALDWIN

## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - TOTAL OPEB LIABILITY

### SCHEDULE OF CHANGES IN THE BOROUGH'S TOTAL OPEB LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31, \*

	<u>2018</u>
<b>Total OPEB Liability:</b>	
Service cost	\$ 172,797
Interest	187,334
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(271,643)</u>
<b>Net Changes in Total OPEB Liability</b>	<b>88,488</b>
<b>Total OPEB Liability - Beginning</b>	<u>5,726,066</u>
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 5,814,554</u></u>
 <b>Covered Payroll</b>	 <u><u>\$ 3,874,417</u></u>

\* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend compiled, the Borough is presenting information for those years only for which information is available.

See accompanying notes to schedules of required supplementary information.

# BOROUGH OF BALDWIN

## NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2018

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### 1. Pension Information

#### Actuarial Methods and Assumptions Used in Determining the Contribution Rate (MMO)

The information presented in the required supplementary pension schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	Police	Service Employees
Actuarial valuation date	1/1/2015	1/1/2015
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	4.5%	5.0%
Underlying inflation rate	3.0%	3.0%
Mortality	RP-200 Combined Healthy Table with Blue Collar Adjustment, with rates set forward 5 years for disabled members. Rates projected with 75% of scale AA.	RP-200 Combined Healthy Table with Blue Collar Adjustment, with rates set forward 5 years for disabled members. Rates projected with 75% of scale AA.
Additional Information Related to Funding:		
Amortization method	Level Dollar Closed	Level Dollar Closed
Amortization period	5 years aggregate	10 years aggregate
Asset valuation method	4-Year Smoothing	4-Year Smoothing

# BOROUGH OF BALDWIN

## NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2018

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### Benefit Changes

#### *Service Employees Pension Plan*

Effective January 1, 2013, average earnings was changed to the highest five out of seven years. The maximum benefit was increased from 40% to 46%.

#### *Police Pension Plan*

None

### Changes in Assumptions

#### *Service Employees Pension Plan*

None

#### *Police Pension Plan*

Effective January 1, 2015, the disability assumption was updated to the Social Security Administration's 2010 projection of disability incidence (ultimate rates only).

# BOROUGH OF BALDWIN

## NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2018

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### 2. OPEB Information

The information presented in the required supplementary OPEB schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

#### Actuarial Data:

Valuation Date: January 1, 2018  
Actuarial Cost Method: Entry age normal cost  
Amortization Method: Level dollar

#### Economic Assumptions:

Discount Rate: 3.25%  
Inflation 2.75%

#### Annual Trend Rates for OPEB Costs:

Year	Medical	Dental/Vision
2018	2.60%	3.00%
2019 and later	5.00%	3.00%

#### Demographic Assumptions:

Mortality:  
Police: RP-2014 Mortality Table with 50% Blue Collar Adjustment and rates set forward 5 years for disabled lives  
Non-Uniformed: RP-2014 Mortality Table

Mortality Improvement: Rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report

Withdrawal: Police: Table T-1, Actuary's Pension Handbook  
Non-Uniformed: None assumed

Disablement: Police: Rates derived from the Social Security Administration's 2010 projections of disability incidence (ultimate rates only)  
Non-Uniformed: None assumed

# BOROUGH OF BALDWIN

## NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2018

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Valuation Retirement Age: Normal Retirement Age, or attained age if currently eligible to retire

Participation: 100% of those eligible for employer-paid post-retirement coverage

Coverage Level: Future Retirees: Police hired before January 1, 2006 - 20% individual, 65% husband/wife, 15% family

Police hired on or after January 1, 2006 - 50% individual, 40% husband/wife, 10% family

Non-Uniformed: 35% individual, 65% husband/wife

Current Retirees: Continuation of current coverage level; retirees with dependent child coverage are assumed to have 2 children who remain on coverage until the retirees' age 62

Spouse Age: Female spouse assumed to be 3 years younger than male spouse

Current Premium Schedules:

	Police			Non-Uniformed
	PPO 10B	PPO \$500B	HMOB	PPO
Single	\$ 8,033.52	\$ 7,487.16	\$ 10,514.64	Rates at each level vary based on age
Parent/Child	\$ 19,328.76	\$ 18,014.40	\$ 25,298.28	
Husband/Wife	\$ 21,630.60	\$ 20,170.92	\$ 28,326.48	
Family	\$ 24,855.96	\$ 23,165.88	\$ 32,532.60	

	Police		Non-Uniformed	
	Dental	Vision	Dental	Vision
Single	\$ 371.64	\$ 60.48	\$ 424.92	\$ 66.12
Other	\$ 1,152.84	\$ 120.24	\$ 1,318.20	\$ 131.40

Age Adjustments:

Costs for medical benefits are projected with age-adjusted rates derived from the 2018 premium schedules for the available plan

Dental and vision coverages are not age dependent; therefore, the premiums were not age-adjusted