

Borough of Baldwin

Primary Government Financial Statements and Required Supplementary Information

**Year Ended December 31, 2020
with Independent Auditor's Report**

MaherDuessel

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BOROUGH OF BALDWIN

YEAR ENDED DECEMBER 31, 2020

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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, 2020, 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 on 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 the "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, 2020, or the changes in financial position or cash flows 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, 2020, 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.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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
September 15, 2021

BOROUGH OF BALDWIN

STATEMENT OF NET POSITION

DECEMBER 31, 2020

		Primary Government	
	Governmental	Business-Type	
	Activities	Activities	Total
Assets and Deferred Outflows of Resources			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,628,015	\$ 3,067,303	\$ 5,695,318
Cash and cash equivalents - restricted	508,387	95,490	603,877
Taxes receivable, net	1,076,699	-	1,076,699
Accounts receivable - sewage, net	-	962,390	962,390
Other receivables	190,011	-	190,011
Prepaid expenses	207,595	19,480	227,075
Internal balances	(189,943)	189,943	-
Total current assets	4,420,764	4,334,606	8,755,370
Noncurrent assets:			
Capital assets, not being depreciated	1,291,730	149,416	1,441,146
Capital assets, net of accumulated depreciation	4,692,786	21,845,385	26,538,171
Total noncurrent assets	5,984,516	21,994,801	27,979,317
Total Assets	10,405,280	26,329,407	36,734,687
Deferred Outflows of Resources:			
Deferred charges on refunding	-	441,238	441,238
Deferred outflows of resources for pension	1,465,566	-	1,465,566
Deferred outflows of resources for OPEBs	370,481	-	370,481
Total Deferred Outflows of Resources	1,836,047	441,238	2,277,285
Total Assets and Deferred Outflows of Resources	\$ 12,241,327	\$ 26,770,645	\$ 39,011,972
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 197,751	\$ 621,341	\$ 819,092
Unearned revenue	-	-	-
Accrued payroll	-	19,510	19,510
Accrued interest payable	22,934	-	22,934
Bonds payable	157,631	267,370	425,001
AIM loan payable	32,118	25,209	57,327
Capital leases payable	149,403	30,159	179,562
Compensated absences	28,880	-	28,880
Other liabilities	91,192	-	91,192
Total current liabilities	679,909	963,589	1,643,498
Noncurrent liabilities:			
Bonds payable	4,765,798	20,947,203	25,713,001
Premium on bonds	391,918	47,223	439,141
AIM loan payable	5,317	21,796	27,113
Capital leases payable	233,699	96,091	329,790
Compensated absences	619,199	-	619,199
OPEB liability	6,405,519	-	6,405,519
Net pension liability	4,134,023	-	4,134,023
Total noncurrent liabilities	16,555,473	21,112,313	37,667,786
Total Liabilities	17,235,382	22,075,902	39,311,284
Deferred Inflows of Resources:			
Deferred inflows of resources for pension	2,853,705	-	2,853,705
Total Liabilities and Deferred Inflows of Resources	20,089,087	22,075,902	42,164,989
Net Position:			
Net investment in capital assets	757,019	1,479,785	2,236,804
Restricted:			
Supplies and street lighting	489,396	-	489,396
Unrestricted	(9,094,175)	3,214,958	(5,879,217)
Total Net Position	(7,847,760)	4,694,743	(3,153,017)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 12,241,327	\$ 26,770,645	\$ 39,011,972

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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 806,311	\$ 183,196	\$ -	\$ -	\$ (623,115)	\$ -	\$ (623,115)
Public safety - police	3,264,433	181,130	144,631	-	(2,938,672)	-	(2,938,672)
Public safety - fire	340,386	-	94,857	-	(245,529)	-	(245,529)
Public safety - other	319,652	-	-	-	(319,652)	-	(319,652)
Public works - sanitation	1,993,901	-	-	-	(1,993,901)	-	(1,993,901)
Public works - highways	1,879,701	-	590,050	-	(1,289,651)	-	(1,289,651)
Culture and recreation - library	185,000	-	-	-	(185,000)	-	(185,000)
Culture and recreation - other	105,793	4,607	20,162	549,681	468,657	-	468,657
Payment on long-term debt	375,685	-	-	-	(375,685)	-	(375,685)
Insurance and employee benefits	1,612,248	-	305,278	-	(1,306,970)	-	(1,306,970)
Total governmental activities	10,883,110	368,933	1,154,978	549,681	(8,809,518)	-	(8,809,518)
Business-Type Activities:							
Swimming pool	60,778	-	-	-	-	(60,778)	(60,778)
Sewer system	6,318,108	6,512,651	-	2,000	-	196,543	196,543
Total business-type activities	6,378,886	6,512,651	-	2,000	-	135,765	135,765
Total Primary Government	\$ 17,261,996	\$ 6,881,584	\$ 1,154,978	\$ 551,681	(8,809,518)	135,765	(8,673,753)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					6,403,443	-	6,403,443
Earned income taxes					2,719,413	-	2,719,413
Other taxes levied for general purposes					545,102	-	545,102
County sales tax (Act 77)					659,744	-	659,744
Cable franchise fees					388,314	-	388,314
PURTA and alcohol beverage tax					12,684	-	12,684
Investment earnings					24,921	12,588	37,509
Other					14,783	-	14,783
Gain on disposal of capital assets					66,001	-	66,001
Transfers					(20,363)	20,363	-
Total general revenues and transfers					10,814,042	32,951	10,846,993
Change in Net Position					2,004,524	168,716	2,173,240
Net Position:							
Beginning of year					(9,852,284)	4,526,027	(5,326,257)
End of year					<u>\$ (7,847,760)</u>	<u>\$ 4,694,743</u>	<u>\$ (3,153,017)</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, 2020

	General Fund	Capital Improvements Fund	Other Governmental Highway Aid Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,637,397	\$ 496,657	\$ 493,961	\$ 2,628,015
Cash and cash equivalents - restricted	-	508,387	-	508,387
Taxes receivable, net	1,076,699	-	-	1,076,699
Other receivables	190,011	-	-	190,011
Prepaid expenses	207,595	-	-	207,595
Due from other funds	193,364	-	-	193,364
Total Assets	\$ 3,305,066	\$ 1,005,044	\$ 493,961	\$ 4,804,071
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 193,186	\$ -	\$ 4,565	\$ 197,751
Unearned revenue	-	-	-	-
Other liabilities	91,192	-	-	91,192
Due to other funds	-	383,307	-	383,307
Total Liabilities	284,378	383,307	4,565	672,250
Deferred Inflows of Resources:				
Unavailable revenues	442,926	-	-	442,926
Total Liabilities and Deferred Inflows of Resources	727,304	383,307	4,565	1,115,176
Fund Balance:				
Nonspendable - prepaids	207,595	-	-	207,595
Restricted:				
Supplies and street lighting	-	-	489,396	489,396
Capital improvements	-	508,387	-	508,387
Assigned - capital improvements	-	113,350	-	113,350
Unassigned	2,370,167	-	-	2,370,167
Total Fund Balance	2,577,762	621,737	489,396	3,688,895
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 3,305,066	\$ 1,005,044	\$ 493,961	\$ 4,804,071

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, 2020

Total Fund Balance - Governmental Funds \$ 3,688,895

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. 5,984,516

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. 442,926

The net pension liability is not reflected on the fund financial statements. (4,134,023)

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. (1,388,139)

The total OPEB liability for the police and service employees are not recorded on the fund financial statements. (6,405,519)

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	\$ (4,923,429)	
Bond premium	(391,918)	
Capital leases payable	(383,102)	
Loans payable	(37,435)	
Accrued interest on payable	(22,934)	
Compensated absences	(648,079)	(6,406,897)

Total Net Position - Governmental Activities \$ (7,847,760)

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, 2020

	General Fund	Capital Improvements Fund	Other Governmental Highway Aid Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 10,195,376	\$ -	\$ -	\$ 10,195,376
Licenses and permits	388,554	-	-	388,554
Fines and forfeitures	160,437	-	-	160,437
Interest and rents	23,300	3,599	2,629	29,528
Intergovernmental	1,040,613	100,000	577,688	1,718,301
Charges for services	202,691	-	-	202,691
Other	19,735	-	-	19,735
Total revenues	12,030,706	103,599	580,317	12,714,622
Expenditures:				
Current:				
General government	865,723	-	-	865,723
Public safety - police	3,882,661	-	-	3,882,661
Public safety - fire	331,011	-	-	331,011
Public safety - other	319,652	-	-	319,652
Public works - sanitation	1,948,336	-	-	1,948,336
Public works - highway	1,414,825	-	312,077	1,726,902
Culture and recreation - library	185,000	-	-	185,000
Culture and recreation - other	1,184,473	-	-	1,184,473
Capital outlay	157,941	-	-	157,941
Debt service:				
Principal	3,487,111	-	-	3,487,111
Interest	120,008	-	-	120,008
Bond issue costs	49,341	-	-	49,341
Insurance and employee benefits	1,612,248	-	-	1,612,248
Total expenditures	15,558,330	-	312,077	15,870,407
Excess (Deficiency) of Revenues Over Expenditures	(3,527,624)	103,599	268,240	(3,155,785)
Other Financing Sources (Uses):				
Refunds of prior year revenues	(4,952)	-	-	(4,952)
Proceeds from general obligation bonds	3,207,750	-	-	3,207,750
Premium on bonds	419,912	-	-	419,912
Proceeds from capital asset disposition	66,001	-	-	66,001
Proceeds from capital lease obligation	157,941	-	-	157,941
Operating transfers in	824,016	614,172	6	1,438,194
Operating transfers out	(634,541)	(824,016)	-	(1,458,557)
Total other financing sources (uses)	4,036,127	(209,844)	6	3,826,289
Net Change in Fund Balance	508,503	(106,245)	268,246	670,504
Fund Balance:				
Beginning of year	2,069,259	727,982	221,150	3,018,391
End of year	\$ 2,577,762	\$ 621,737	\$ 489,396	\$ 3,688,895

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, 2020

Net Change in Fund Balance - Governmental Funds

\$ 670,504

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	\$ 1,392,739	
Less: depreciation expense	<u>(473,991)</u>	918,748

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.

132,326

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.

(342,608)

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.

690,062

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

(147,337)

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.

(4,279)

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

87,108

Change in Net Position of Governmental Activities

\$ 2,004,524

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, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 9,958,985	\$ 9,745,480	\$ 10,195,376	\$ 449,896
Licenses and permits	400,240	390,140	388,554	(1,586)
Fines and forfeitures	77,000	62,000	160,437	98,437
Interest and rents	65,155	21,071	23,300	2,229
Intergovernmental	793,181	966,726	1,040,613	73,887
Charges for services	869,284	610,784	202,691	(408,093)
Other	2,050	15,830	19,735	3,905
Total revenues	12,165,895	11,812,031	12,030,706	218,675
Expenditures:				
General government	918,069	910,915	865,723	45,192
Public safety - police	3,941,234	3,933,836	3,882,661	51,175
Public safety - fire	341,896	341,896	331,011	10,885
Public safety - other	327,985	333,588	319,652	13,936
Public works - sanitation	1,975,989	1,981,254	1,948,336	32,918
Public works - highway	1,645,054	1,491,014	1,414,825	76,189
Culture and recreation - library	185,000	185,000	185,000	-
Culture and recreation - other	1,212,387	1,164,932	1,184,473	(19,541)
Capital outlay	-	- A	157,941	(157,941)
Debt service	582,855	439,348	3,656,460	(3,217,112)
Insurance and employee benefits	1,542,207	1,571,886	1,612,248	(40,362)
Miscellaneous	-	-	-	-
Total expenditures	12,672,676	12,353,669	15,558,330	(3,204,661)
Excess (Deficiency) of Revenues Over Expenditures	(506,781)	(541,638)	(3,527,624)	(2,985,986)
Other Financing Sources (Uses):				
Refunds of prior year revenues	(11,000)	(11,000)	(4,952)	6,048
Proceeds from general obligation bonds	-	-	3,207,750	3,207,750
Premium on bonds	-	-	419,912	419,912
Proceeds from capital asset disposition	1,000	6,600	66,001	59,401
Proceeds from capital lease obligation	-	- A	157,941	157,941
Operating transfers in	599,130	670,403	824,016	153,613
Operating transfers out	(82,349)	(124,365)	(634,541)	(510,176)
Total other financing sources (uses)	506,781	541,638	4,036,127	3,494,489
Net Change in Fund Balance	\$ -	\$ -	508,503	\$ 508,503
Fund Balance:				
Beginning of year			2,069,259	
End of year			<u>\$ 2,577,762</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, 2020

	Sewer System Fund	Other Enterprise Swimming Pool Fund	Total
Assets and Deferred Outflows of Resources			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,065,473	\$ 1,830	\$ 3,067,303
Cash and cash equivalents - restricted	95,490	-	95,490
Accounts receivable - sewage, net	962,390	-	962,390
Prepays	19,480	-	19,480
Due from other funds	383,307	-	383,307
Total current assets	4,526,140	1,830	4,527,970
Noncurrent assets:			
Sewer infrastructure	25,937,961	-	25,937,961
Swimming pool	-	2,471,541	2,471,541
Equipment	1,013,842	-	1,013,842
Construction in progress	149,416	-	149,416
Accumulated depreciation	(5,752,666)	(1,825,293)	(7,577,959)
Total noncurrent assets	21,348,553	646,248	21,994,801
Total Assets	25,874,693	648,078	26,522,771
Deferred Outflows of Resources:			
Deferred charges on refunding	441,238	-	441,238
Total Assets and Deferred Outflows of Resources	\$ 26,315,931	\$ 648,078	\$ 26,964,009
Liabilities and Net Position			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 621,301	\$ 40	\$ 621,341
Accrued payroll	19,510	-	19,510
Bonds payable	267,370	-	267,370
Due to other funds	193,364	-	193,364
AIM loan payable	25,209	-	25,209
Capital lease payable	30,159	-	30,159
Total current liabilities	1,156,913	40	1,156,953
Noncurrent liabilities:			
Bonds payable	20,947,203	-	20,947,203
Plus premium on bonds	47,223	-	47,223
AIM loan payable	21,796	-	21,796
Capital lease payable	96,091	-	96,091
Total Noncurrent Liabilities	21,112,313	-	21,112,313
Total Liabilities	22,269,226	40	22,269,266
Net Position:			
Net investment in capital assets	833,537	646,248	1,479,785
Unrestricted	3,213,168	1,790	3,214,958
Total Net Position	4,046,705	648,038	4,694,743
Total Liabilities and Net Position	\$ 26,315,931	\$ 648,078	\$ 26,964,009

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, 2020

	Sewer System Fund	Other Enterprise Swimming Pool Fund	Total
Operating Revenues:			
User charges	\$ 6,412,651	\$ -	\$ 6,412,651
Total operating revenues	6,412,651	-	6,412,651
Operating Expenses:			
Administration	1,170,738	8,621	1,179,359
Engineering services	98,805	-	98,805
Maintenance	30,620	10,417	41,037
Depreciation	489,865	41,740	531,605
Insurance and employee benefits	56,482	-	56,482
Sanitation - ALCOSAN	2,435,436	-	2,435,436
Sanitation - Pleasant Hills	1,015,732	-	1,015,732
Total operating expenses	5,297,678	60,778	5,358,456
Net Operating Income (Loss)	1,114,973	(60,778)	1,054,195
Non-operating Revenues (Expenses):			
Shared contracted intergovernmental services	100,000	-	100,000
Interest income	12,588	-	12,588
Interest expense	(792,522)	-	(792,522)
Bond issuance costs	(227,908)	-	(227,908)
Total non-operating revenues (expenses)	(907,842)	-	(907,842)
Capital Contributions:			
Tap-in fees	2,000	-	2,000
Income (Loss) before Transfers	209,131	(60,778)	148,353
Other Financing Sources (Uses):			
Transfers in	-	20,363	20,363
Change in Net Position	209,131	(40,415)	168,716
Net Position:			
Beginning of year	3,837,574	688,453	4,526,027
End of year	\$ 4,046,705	\$ 648,038	\$ 4,694,743

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, 2020

	Sewer System Fund	Other Enterprise Swimming Pool Fund	Total
Cash Flows From Operating Activities:			
Cash received from user charges	\$ 5,943,264	\$ -	\$ 5,943,264
Cash paid for operations and maintenance	(4,504,179)	(19,169)	(4,523,348)
Net cash provided by (used in) operating activities	1,439,085	(19,169)	1,419,916
Cash Flows From Capital and Related Financing Activities:			
Payments for tap-in fees	2,000	-	2,000
Purchase of capital assets	(275,318)	-	(275,318)
Cash received from shared contracted intergovernmental services	100,000	-	100,000
Proceeds from issuance of debt	15,149,101	-	15,149,101
Costs from issuance of debt	(227,908)	-	(227,908)
Principal capital lease	(29,423)	-	(29,423)
Principal debt service payments	(15,485,192)	-	(15,485,192)
Interest debt service payments	(792,522)	-	(792,522)
Net cash provided by (used in) capital and related financing activities	(1,559,262)	-	(1,559,262)
Cash Flows From Investing Activities:			
Interest and dividends	12,588	-	12,588
Cash Flows From Non-Capital Financing Activities:			
Transfers (to) from other funds	(383,307)	20,363	(362,944)
Advance from other funds	34,472	-	34,472
Net cash provided by (used in) non-capital financing activities	(348,835)	20,363	(328,472)
Net Increase (Decrease) in Cash and Cash Equivalents	(456,424)	1,194	(455,230)
Cash and Cash Equivalents and Cash and Cash Equivalents - Restricted:			
Beginning of year	3,617,387	636	3,618,023
End of year	<u>\$ 3,160,963</u>	<u>\$ 1,830</u>	<u>\$ 3,162,793</u>
Consists of:			
Cash and cash equivalents	\$3,065,473	\$1,830	\$3,067,303
Cash and cash equivalents - restricted	95,490	-	95,490
	<u>\$3,160,963</u>	<u>\$1,830</u>	<u>\$3,162,793</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Net operating income (loss)	\$ 1,114,973	\$ (60,778)	\$ 1,054,195
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	489,865	41,740	531,605
Amortization expense	277,237	-	277,237
Change in assets and liabilities:			
Accounts receivable - sewage	(469,387)	-	(469,387)
Prepaid expenses	374	-	374
Accounts payable	17,874	(131)	17,743
Accrued payroll	8,149	-	8,149
Net cash provided by (used in) operating activities	<u>\$ 1,439,085</u>	<u>\$ (19,169)</u>	<u>\$ 1,419,916</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, 2020

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 125
Investments:	
Equity mutual funds	17,991,957
Fixed income mutual funds	7,541,609
Total Assets	\$ 25,533,691
Liabilities and Net Position	
Liabilities:	
Benefits payable	\$ -
Total Liabilities	-
Net Position:	
Restricted for pension benefits	25,533,691
Total Liabilities and Net Position	\$ 25,533,691

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, 2020

	Pension Trust Funds
Additions:	
Contributions:	
Borough	\$ 930,757
Commonwealth	305,277
Plan members	227,342
Other income	125
Total contributions	1,463,501
Investment earnings (loss):	
Net appreciation (depreciation) in fair value of investments	1,247,757
Interest and dividends	1,007,044
Total investment earnings (loss)	2,254,801
Transfer from Service Employee Pension Fund	520
Total additions	3,718,822
Deductions:	
Benefits	1,329,511
Administrative expenses	55,843
Transfer to Police Pension Fund	520
Total deductions	1,385,874
Change in Net Position	2,332,948
Net Position:	
Beginning of year	23,200,743
End of year	\$ 25,533,691

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, 2020

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, 2020

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 2020. 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 commenced on the date the Library moved 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, 2020

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 contributions, and 3) capital grants and contributions. 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

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 other 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.

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.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Additionally, the Borough reports on the following other 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, 2020, the Borough reported an allowance for doubtful accounts in the General Fund of \$353,727 related to real estate taxes and in the Sewer Fund of \$738,821 related to sewer charges. Sewer receivables also include sewer charges based on billings made during the following month and unbilled charges.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.

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

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2020, the value of accumulated sick days to be paid in future years is \$648,079.

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 and premiums on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, as designated by the Council. This category includes amounts set aside for capital improvements costs.
- 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 from 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 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.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Expenditures in Excess of Appropriations

The Borough exceeded certain budgetary appropriations in the culture and recreation - other, capital outlay, debt service, and insurance and employee benefits categories of the General Fund. The excess was primarily covered by other favorable variances in expenditure categories.

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, 2020, as well as interfund transfers for the year ended December 31, 2020, were as follows:

Fund	Transfer In	Transfer Out	Due To	Due From
Governmental activities:				
General Fund	\$ 824,016	\$ 634,541	\$ -	\$ 193,364
Capital Improvements Fund	614,172	824,016	383,307	-
Highway Aid Fund	6	-	-	-
Business-type activities:				
Swimming Pool Fund	20,363	-	-	-
Sewer System Fund	-	-	193,364	383,307
Total	<u>\$ 1,458,557</u>	<u>\$ 1,458,557</u>	<u>\$ 576,671</u>	<u>\$ 576,671</u>

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.

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.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.

Net Position

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

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

- 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, 2020 in governmental activities relates primarily to unfunded long-term liabilities for pension and OPEB benefits.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 89 (Accounting for Interest Costs), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), and 97 (Deferred Compensation Plans). Management has not yet determined the impact of these statements on the Borough's 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

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2020, \$4,981,609 of the Borough's bank balance of \$5,231,609 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, 2020, the carrying amounts of the Borough's deposits were \$5,204,369.

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 \$1,094,826. 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

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. \$602,371 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. \$492,455 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.

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, 2020:

Investment	Police	Service	Total
Cash and cash equivalents	\$ 22	\$ 103	\$ 125
Mutual funds:			
Fixed income	5,917,562	1,624,047	7,541,609
Equity	15,308,276	2,683,681	17,991,957
Total	<u>\$ 21,225,860</u>	<u>\$ 4,307,831</u>	<u>\$ 25,533,691</u>

At December 31, 2020, 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

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

nationally recognized statistical rating organizations. As of December 31, 2020, 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, 2020

4. Capital Assets

A summary of changes in capital assets during fiscal year 2020 is as follows:

	Balance at January 1, 2020	Additions	Deletions/ Transfers	Balance at December 31, 2020
Governmental Activities:				
Non-depreciable assets:				
Land	\$ 1,291,730	\$ -	\$ -	\$ 1,291,730
Depreciable assets:				
Buildings	6,618,702	1,112,229	-	7,730,931
Machinery and equipment	1,064,293	-	-	1,064,293
Vehicles	1,472,649	280,510	(198,181)	1,554,978
Furniture and fixtures	218,919	-	-	218,919
	<u>9,374,563</u>	<u>1,392,739</u>	<u>(198,181)</u>	<u>10,569,121</u>
Less: accumulated depreciation:				
Buildings	(3,865,360)	(227,182)	-	(4,092,542)
Machinery and equipment	(747,480)	(61,091)	-	(808,571)
Vehicles	(810,805)	(177,578)	198,181	(790,202)
Furniture and fixtures	(176,880)	(8,140)	-	(185,020)
	<u>(5,600,525)</u>	<u>(473,991)</u>	<u>198,181</u>	<u>(5,876,335)</u>
Total depreciable assets	<u>3,774,038</u>	<u>918,748</u>	<u>-</u>	<u>4,692,786</u>
Governmental activities capital assets, net	<u>\$ 5,065,768</u>	<u>\$ 918,748</u>	<u>\$ -</u>	<u>\$ 5,984,516</u>

BOROUGH OF BALDWIN

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	Balance at January 1, 2020	Additions	Deletions/ Transfers	Balance at December 31, 2020
Business-Type Activities:				
Non-depreciable assets:				
Construction in progress	\$ 3,591,167	\$ 123,461	\$ (3,565,212)	\$ 149,416
Depreciable assets:				
Sewer infrastructure	22,220,892	151,857	3,565,212	25,937,961
Swimming pool	2,471,541	-	-	2,471,541
Equipment	1,013,842	-	-	1,013,842
	<u>25,706,275</u>	<u>151,857</u>	<u>3,565,212</u>	<u>29,423,344</u>
Less: accumulated depreciation:				
Sewer infrastructure	(4,607,660)	(390,817)	-	(4,998,477)
Swimming pool	(1,783,553)	(41,740)	-	(1,825,293)
Equipment	(655,141)	(99,048)	-	(754,189)
	<u>(7,046,354)</u>	<u>(531,605)</u>	<u>-</u>	<u>(7,577,959)</u>
Total depreciable assets	<u>18,659,921</u>	<u>(379,748)</u>	<u>3,565,212</u>	<u>21,845,385</u>
Business-type activities capital assets, net	<u>\$ 22,251,088</u>	<u>\$ (256,287)</u>	<u>\$ -</u>	<u>\$ 21,994,801</u>

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

Governmental Activities:

General government	\$ 24,255
Public safety	161,043
Public works	255,145
Culture and recreation	<u>33,548</u>
Total depreciation expense - governmental activities	<u>\$ 473,991</u>

Business-Type Activities:

Sewer	\$ 489,865
Pool	<u>41,740</u>
Total depreciation expense - business-type activities	<u>\$ 531,605</u>

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YEAR ENDED DECEMBER 31, 2020

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 2020 assessed value of real estate property totaled approximately \$954 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 September 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 6.78 mills.

6. Long-Term Debt

Capital Leases - Direct Borrowing

The Borough has entered into various capital leases for vehicles with maturity dates ranging from 2020 to 2024. 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, 2020, the Borough made lease payments of \$186,964.

The future minimum lease obligations and the net present value of the minimum lease payments related to these capital leases as of December 31, 2020 were as follows:

2021	\$ 194,915
2022	155,134
2023	122,520
2024	67,995
Less: amounts representing interest	<u>(31,212)</u>
Present value of minimum lease payments	<u>\$ 509,352</u>

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Long-term debt activity for the year ended December 31, 2020 was as follows:

	January 1, 2020	Additions	Reductions	Refunding	December 31, 2020	Due Within One Year
Governmental activities:						
G.O. Bonds - 2015	\$ 3,075,000	\$ -	\$ -	\$ (3,075,000)	\$ -	\$ -
G.O. Bonds - 2017	1,883,583	-	(80,154)	-	1,803,429	82,381
G.O. Bonds - 2020A	-	3,207,750	(87,750)	-	3,120,000	75,250
Direct Borrowing-						
AIM Loan	69,553	-	(32,118)	-	37,435	32,118
Direct Borrowing-						
Capital Leases	365,140	157,941	(139,979)	-	383,102	149,403
Compensated absences	735,187	-	(87,108)	-	648,079	28,880
OPEB liability	5,887,701	517,818	-	-	6,405,519	-
Net pension liability	5,146,145	2,706,731	(3,718,853)	-	4,134,023	-
Governmental activities long-term liabilities	<u>\$ 17,162,309</u>	<u>\$ 6,590,240</u>	<u>\$ (4,145,962)</u>	<u>\$ (3,075,000)</u>	<u>\$ 16,531,587</u>	<u>\$ 368,032</u>
Business-type activities:						
G.O. Bonds - 2011	\$ 490,000	\$ -	\$ (120,000)	\$ (370,000)	\$ -	\$ -
G.O. Bonds - 2012 A	1,765,000	-	(130,000)	(1,635,000)	-	-
G.O. Bonds - 2012 B	10,950,000	-	(20,000)	(6,905,000)	4,025,000	20,000
G.O. Bonds - 2015	5,770,000	-	(20,000)	(5,750,000)	-	-
G.O. Bonds - 2017	2,346,418	-	(99,845)	-	2,246,573	102,620
G.O. Bonds - 2020	-	9,145,000	-	-	9,145,000	5,000
G.O. Bonds - 2020A	-	5,957,250	(159,250)	-	5,798,000	139,750
Direct Borrowing-						
AIM Loan	72,587	-	(25,582)	-	47,005	25,209
Direct Borrowing-						
Capital Leases	155,673	-	(29,423)	-	126,250	30,159
Business-type activities long-term liabilities	<u>\$ 21,549,678</u>	<u>\$ 15,102,250</u>	<u>\$ (604,100)</u>	<u>\$ (14,660,000)</u>	<u>\$ 21,387,828</u>	<u>\$ 322,738</u>

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

BOROUGH OF BALDWIN

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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, 2020, 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 bonds at \$1,185,000. The bonds were paid in full in July 2020 with the refunding issuance of the 2020 Bonds.

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. In July 2020, the Borough partially refunded \$6,905,000 of the outstanding 2012B Bonds, leaving at the time of refunding, the total amount outstanding on the 2012B Bonds at \$4,025,000. The 2012A Bonds were paid in full in July 2020 with the refunding issuance of the 2020 Bonds.

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. The bonds were paid in full in July 2020 with the refunding issuance of the 2020A Bonds.

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. These bonds are

BOROUGH OF BALDWIN

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expected to be repaid from future sewer system revenues. The bonds were paid in full in July 2020 with the refunding issuance of the 2020A Bonds.

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 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.

General Obligation Bonds – 2020

In 2020, the Borough issued \$9,145,000 in General Obligation Bonds Series 2020 (2020 Bonds) with interest rates from 2.00% to 4.00%. The 2020 Bonds are due serially through November 2043. Payments made semi-annually on May 1 and November 1. Proceeds were used to currently refund \$370,000 and \$1,635,000 of the Borough's 2011 Bonds and 2012A Bonds, respectively, partially refund \$6,905,000 of the Borough's 2012B Bonds, and pay the costs of issuing the bonds. The cash flow savings and economic gain from this refunding was approximately \$1,359,000. These bonds are expected to be repaid from future tax revenues and from future sewer system revenues.

General Obligation Bonds – 2020A

In 2020, the Borough issued \$9,165,000 in General Obligation Bonds Series 2020A (2020A Bonds) with interest rates from 2.00% to 4.00%. The 2020A Bonds are due serially through November 2035. Payments made semi-annually on May 1 and November 1. Proceeds were used to currently refund \$3,075,000 and \$5,750,000 of the Borough's 2015 Bonds and 2015 Refunding Bonds, respectively and pay the costs of issuing the bonds. The cash flow savings and economic gain from this refunding was approximately \$814,000. These bonds are expected to be repaid from future tax revenues and from future sewer system revenues.

The Borough's general obligation bonds contain a provision that in the event of default, the holder of the bonds shall have the right to recover the amount due by bringing an action in assumpsit under the Local Government Unit Debt Act of the General Assembly of the Commonwealth of Pennsylvania (Debt Act). The Debt Act provides that any judgement shall have an appropriate priority upon the funds next coming into the treasury of the Borough.

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

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 157,631	\$ 137,200	\$ 267,370	\$ 646,471
2022	250,857	132,175	744,143	687,219
2023	260,560	124,017	769,440	663,576
2024	265,810	114,830	794,190	635,503
2025	280,763	105,281	829,237	606,880
2026-2030	1,929,794	388,556	3,815,207	2,712,207
2031-2035	1,385,961	176,777	5,279,040	2,330,822
2036-2040	392,053	31,527	5,450,946	1,448,710
2041-2043	-	-	3,265,000	156,394
Total	<u>\$ 4,923,429</u>	<u>\$ 1,210,363</u>	<u>\$ 21,214,573</u>	<u>\$ 9,887,782</u>

AIM Loans - Direct Borrowing

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.

The Loans contain a provision that in the event of default, interest will be due and payable at 4.80% delinquent interest rate until paid in full. In addition, in the event of a violation of the loan agreement, the Borough shall pay back the entire loan balance regardless of what portion of the loan had been spent prior to violation.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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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
2021	\$ 32,118	\$ 502	\$ 25,209	\$ 676
2022	5,317	71	21,796	337
Total	<u>\$ 37,435</u>	<u>\$ 573</u>	<u>\$ 47,005</u>	<u>\$ 1,013</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.

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.

BOROUGH OF BALDWIN

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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, 2020, Plan membership consisted of the following:

	Police	Service Employees
Inactive plan members or beneficiaries currently receiving benefits	28	20
Inactive plan members entitled to but not yet receiving benefits	1	5
Active plan members	23	9
Total plan members	52	34

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.

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

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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benefit. In the event of death, each of the participant's dependent children will receive an equal share of the benefit until their 18th 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. The plan was closed to new entrants as of January 1, 2011.

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.

For the year ended December 31, 2020, employee contributions were required as follows: Police contributed 8.0% and Service Employees contributed 5.0%. Certain pension information and calculations are based upon an actuarial valuation performed as of January

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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1, 2019; however, this valuation is not used for funding purposes. The January 1, 2017 valuation was used in the calculation of the Borough's 2020 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 2020. The following table reflects contribution information for 2020:

	Police	Service Employees	Total
MMO	\$ 1,128,406	\$ 107,628	\$ 1,236,034
Contributions:			
Borough	\$ 899,448	\$ 31,309	\$ 930,757
Allocation of state aid	228,958	76,319	305,277
Total	1,128,406	107,628	1,236,034
Employee	198,652	28,690	227,342
Other income	22	103	125
Total contributions	\$ 1,327,080	\$ 136,421	\$ 1,463,501
Covered payroll	\$ 2,617,906	\$ 573,795	
Employee contributions as a % of covered payroll	7.59%	5.00%	

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

BOROUGH OF BALDWIN

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Net Pension Liability

The components of the net pension liability of the Plans at December 31, 2020 were as follows:

	Police	Service Employees
Total pension liability	\$ 25,333,458	\$ 4,334,256
Plan fiduciary net position	(21,225,860)	(4,307,831)
Net pension liability	<u>\$ 4,107,598</u>	<u>\$ 26,425</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.79%</u>	<u>99.39%</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	1/1/2019	1/1/2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	4.25%	4.25%
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.

Changes in Actuarial Assumptions – Based upon an actuarial valuation performed as of January 1, 2019, the investment rate of return for Police changed from 7.50% to 7.25%.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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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, 2020:

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%	5.0%-7.0%
Fixed income	40.0%	40.0%	1.0%-3.0%	1.0%-3.0%
Cash and equivalents	0.0%	0.0%	0.0%-1.0%	0.0%-1.0%
	<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, 2020, the annual money-weighted rate of return on the Police and Service Employees Plan investments, net of investment expense, was 8.86% and 14.76%, respectively.

BOROUGH OF BALDWIN

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Concentrations – At December 31, 2020, 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	\$ 7,152,026	\$ 4,107,598	\$ 1,561,629
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Service Employees Plan	\$ 476,219	\$ 26,425	\$ (360,446)

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Changes in the Net Pension Liability

The changes in the net pension liability of the Police Plan at December 31, 2020 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 24,145,186	\$ 19,333,532	\$ 4,811,654
Changes for the year:			
Service cost	535,353	-	535,353
Interest	1,750,100	-	1,750,100
Differences between expected and actual	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	1,128,406	(1,128,406)
Contributions - employee	-	198,652	(198,652)
Other income	-	-	-
Net investment income	-	1,700,056	(1,700,056)
Benefit payments, including refunds	(1,097,181)	(1,097,181)	-
Administrative expense	-	(38,155)	38,155
Other expenses	-	550	(550)
Net changes	1,188,272	1,892,328	(704,056)
Balances at December 31, 2020	<u>\$ 25,333,458</u>	<u>\$ 21,225,860</u>	<u>\$ 4,107,598</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>83.79%</u>

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The changes in the net pension liability of the Service Employees' Plan at December 31, 2020 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2019	\$ 4,201,702	\$ 3,867,211	\$ 334,491
Changes for the year:			
Service cost	66,863	-	66,863
Interest	300,917	-	300,917
Differences between expected and actual	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	107,628	(107,628)
Contributions - employee	-	28,690	(28,690)
Other income	-	-	-
Net investment income	-	559,533	(559,533)
Benefit payments, including refunds	(235,226)	(235,226)	-
Administrative expense	-	(19,455)	19,455
Other expenses	-	(550)	550
Net changes	132,554	440,620	(308,066)
Balances at December 31, 2020	\$ 4,334,256	\$ 4,307,831	\$ 26,425
Plan fiduciary net position as a percentage of the total pension liability			99.39%

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

For the year ended December 31, 2020, the Borough recognized pension expense of \$545,972. At December 31, 2020, deferred outflows of resources and deferred inflows of resources related to the Plans from the following sources:

	Police	Service Employees
<u>Deferred Outflows of Resources:</u>		
Differences between expected and actual experience	\$ -	\$ 17,023
Changes in assumption	163,644	-
Net difference between projected and actual earnings on pension plan investments	<u>1,097,153</u>	<u>187,746</u>
Total deferred outflows of resources	<u>\$ 1,260,797</u>	<u>\$ 204,769</u>
<u>Deferred Inflows of Resources:</u>		
Differences between expected and actual experience	\$ 484,859	\$ -
Changes in assumption	-	-
Net difference between projected and actual earnings on pension plan investments	<u>1,789,600</u>	<u>579,246</u>
Total deferred inflows of resources	<u>\$ 2,274,459</u>	<u>\$ 579,246</u>

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

<u>Year ending December 31,</u>	<u>Police</u>	<u>Service Employees</u>
2021	\$ (276,837)	\$ (108,106)
2022	(115,672)	(57,187)
2023	(559,237)	(152,604)
2024	<u>(61,916)</u>	<u>(56,580)</u>
Total	<u>\$ (1,013,662)</u>	<u>\$ (374,477)</u>

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 2020 were \$21,954. Employer contributions during 2020 were \$51,226.

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, 2020, 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, 2020 totaled approximately \$1.561 million.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 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 no civil penalties for the year ended December 31, 2020.

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, 2020, the Borough had approximately \$31,000 in outstanding construction commitments related to governmental activities for Elm Leaf Park construction and \$38,000 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.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 discharges the liabilities arising under the Worker's Compensation Act and Occupational Disease Act of each and every participant of 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

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 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, 2020 (the date of the latest actuarial valuation), the plan consisted of 39 active plan participants and 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 2020, the Borough paid \$286,596 in OPEB premiums, net of reimbursement.

Total OPEB Liability

The Borough's total OPEB liability was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2020.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

Actuarial valuation date	1/1/2020
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	3.00%
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%

A few assumptions were updated for the January 1, 2020 actuarial report that impacted the calculation of the total OPEB liability. The significant changes from the January 1, 2018 actuarial report were the reduction of the interest rate assumption from 3.25% to 3.00%, medical trends rate changed from 5% to 3.5%, change in dental and vision trend rate from 3% to 1.5%, and changes in assumed elect coverage for retiring police officers before 2006, retiring officers hired after 2005, and future non-uniformed retirees for individual, employee and spouse, and family.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Changes in the Total OPEB Liability

The changes in the total OPEB liability of the Borough for the year ended December 31, 2020 were as follows:

	Total OPEB Liability
Balance at 12/31/19	\$ 5,887,701
Changes for the year:	
Service cost	201,533
Interest	190,773
Differences between expected & actual experience	33,216
Changes of assumptions	378,892
Benefits paid	(286,596)
Balances at 12/31/20	<u>\$ 6,405,519</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 (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
<u>\$ 6,937,961</u>	<u>\$ 6,405,519</u>	<u>\$ 5,923,141</u>

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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:

<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
<u>\$ 5,831,605</u>	<u>\$ 6,405,519</u>	<u>\$ 7,053,955</u>

OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2020, the Borough recognized OPEB expense of \$517,818.

At December 31, 2020, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,861	\$ -
Changes of assumptions	340,620	-
Net difference between projected and actual earnings on pension plan investments	-	-
	<u>\$ 370,481</u>	<u>\$ -</u>

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Deferred outflows of resources related to the Authority's pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>		
2021	\$	41,627
2022		41,627
2023		41,627
2024		41,627
2025		41,627
Thereafter		<u>162,346</u>
	\$	<u>370,481</u>

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 \$43,900 as of December 31, 2020.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2020 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 \$16,148,813 at December 31, 2020.

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.

15. Subsequent Event

In January 2021, the Borough issued \$4,710,000 in General Obligation Bonds Series 2021 (2021 Bonds) with interest rates of 2.00%. The 2021 Bonds are due serially through November 2037. Payments made semi-annually on May 1 and November 1. Proceeds were used to currently refund \$4,025,000 of the Borough's 2012B Bonds, 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.

BOROUGH OF BALDWIN

NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

During 2021, the Borough will receive approximately \$2.0 million in funding from the American Rescue Plan.

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,

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:							
Service cost	\$ 66,863	\$ 61,807	\$ 58,783	\$ 66,983	\$ 56,701	\$ 58,717	\$ 58,379
Interest	300,917	291,239	274,315	262,965	247,009	240,839	226,001
Changes of benefit terms	-	49,007	-	-	-	-	-
Differences between expected and actual experience	-	47,975	-	(82,555)	-	713	-
Changes of assumptions	-	-	-	236,500	-	-	-
Benefit payments, including refunds of member contributions	(235,226)	(209,589)	(190,107)	(141,129)	(127,583)	(124,519)	(126,253)
Net Changes in Total Pension Liability	132,554	240,439	142,991	342,764	176,127	175,750	158,127
Total Pension Liability - Beginning	4,201,702	3,961,263	3,818,272	3,475,508	3,299,381	3,123,631	2,965,504
Total Pension Liability - Ending (a)	\$ 4,334,256	\$ 4,201,702	\$ 3,961,263	\$ 3,818,272	\$ 3,475,508	\$ 3,299,381	\$ 3,123,631
Plan Fiduciary Net Position:							
Contributions - employer	\$ 107,628	\$ 144,707	\$ 87,051	\$ 105,518	\$ 103,101	\$ 104,941	\$ 110,814
Contributions - member	28,690	25,234	29,988	32,710	31,459	31,075	23,679
Other income	-	-	-	3,194	-	-	-
Net investment income	559,533	706,682	(218,993)	535,954	241,159	(79,640)	120,319
Benefit payments, including refunds of member contributions	(235,226)	(209,589)	(190,107)	(141,129)	(127,583)	(124,519)	(126,253)
Administrative expense	(19,455)	(15,658)	(19,907)	(18,534)	(25,834)	(22,753)	(22,672)
Other expenses	(550)	-	-	(1,776)	-	462	(41,043)
Net Change in Plan Fiduciary Net Position	440,620	651,376	(311,968)	515,937	222,302	(90,434)	64,844
Plan Fiduciary Net Position - Beginning	3,867,211	3,215,835	3,527,803	3,011,866	2,789,564	2,879,998	2,815,154
Plan Fiduciary Net Position - Ending (b)	\$ 4,307,831	\$ 3,867,211	\$ 3,215,835	\$ 3,527,803	\$ 3,011,866	\$ 2,789,564	\$ 2,879,998
Net Pension Liability - Ending (a-b)	\$ 26,425	\$ 334,491	\$ 745,428	\$ 290,469	\$ 463,642	\$ 509,817	\$ 243,633
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.39%	92.04%	81.18%	92.39%	86.66%	84.55%	92.20%
Covered Payroll	\$ 573,795	\$ 572,978	\$ 695,704	\$ 729,962	\$ 762,381	\$ 787,288	\$ 789,011
Net Pension Liability as a Percentage of Covered Payroll	4.61%	58.38%	107.15%	39.79%	60.81%	64.76%	30.88%

* 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

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,

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:							
Service cost	\$ 535,353	\$ 507,735	\$ 551,331	\$ 551,004	\$ 539,842	\$ 514,135	\$ 467,127
Interest	1,750,100	1,669,644	1,641,500	1,554,009	1,471,855	1,392,859	1,338,891
Differences between expected and actual experience	-	(770,069)	-	(435,242)	-	1,132,778	-
Changes of assumptions	-	-	-	1,098,744	-	(48,884)	-
Benefit payments, including refunds of member contributions	(1,097,181)	(1,088,996)	(896,313)	(900,769)	(852,543)	(855,971)	(940,073)
Net Changes in Total Pension Liability	1,188,272	318,314	1,296,518	1,867,746	1,159,154	2,134,917	865,945
Total Pension Liability - Beginning	24,145,186	23,826,872	22,530,354	20,662,608	19,503,454	17,368,537	16,502,592
Total Pension Liability - Ending (a)	\$ 25,333,458	\$ 24,145,186	\$ 23,826,872	\$ 22,530,354	\$ 20,662,608	\$ 19,503,454	\$ 17,368,537
Plan Fiduciary Net Position:							
Contributions - employer	\$ 1,128,406	\$ 1,254,872	\$ 930,813	\$ 991,571	\$ 847,269	\$ 863,379	\$ 858,140
Contributions - member	198,652	226,532	215,055	218,009	209,289	202,289	242,636
Other income	-	-	-	3,656	-	-	-
Net investment income	1,700,056	3,265,692	(1,523,768)	2,345,832	1,296,290	(764,187)	308,358
Benefit payments, including refunds of member contributions	(1,097,181)	(1,088,996)	(896,313)	(900,769)	(852,543)	(855,971)	(940,073)
Administrative expense	(38,155)	(32,799)	(33,298)	(57,452)	(51,839)	(54,717)	(49,222)
Other expenses	550	-	-	(1,237)	-	-	-
Net Change in Plan Fiduciary Net Position	1,892,328	3,625,301	(1,307,511)	2,599,610	1,448,466	(609,207)	419,839
Plan Fiduciary Net Position - Beginning	19,333,532	15,708,231	17,015,742	14,416,132	12,967,666	13,576,873	13,157,034
Plan Fiduciary Net Position - Ending (b)	\$ 21,225,860	\$ 19,333,532	\$ 15,708,231	\$ 17,015,742	\$ 14,416,132	\$ 12,967,666	\$ 13,576,873
Net Pension Liability - Ending (a-b)	\$ 4,107,598	\$ 4,811,654	\$ 8,118,641	\$ 5,514,612	\$ 6,246,476	\$ 6,535,788	\$ 3,791,664
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.79%	80.07%	65.93%	75.52%	69.77%	66.49%	78.17%
Covered Payroll	\$ 2,617,906	\$ 2,779,438	\$ 2,769,625	\$ 2,631,966	\$ 2,499,223	\$ 2,537,780	\$ 2,526,389
Net Pension Liability as a Percentage of Covered Payroll	156.90%	173.12%	293.13%	209.52%	249.94%	257.54%	150.08%

* 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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN

SCHEDULES OF THE BOROUGH'S CONTRIBUTIONS AND INVESTMENT RETURNS

YEARS ENDED DECEMBER 31,

SERVICE EMPLOYEES PLAN:

Schedule of Baldwin Borough's Contributions	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 107,628	\$ 144,707	\$ 87,051	\$ 105,518	\$ 103,101	\$ 104,941	\$ 110,814
Contributions in relation to the actuarially determined contribution	107,628	144,707	87,051	105,518	103,101	104,941	110,814
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 573,795	\$ 572,978	\$ 695,704	\$ 729,962	\$ 762,381	\$ 789,011	\$ 789,011
Contributions as a percentage of covered payroll	18.76%	25.26%	12.51%	14.46%	13.52%	13.30%	14.04%
Investment Returns							
Annual money-weighted rate of return, net of investment expense	14.76%	22.54%	-6.34%	18.19%	8.79%	-2.77%	4.32%

POLICE PLAN:

Schedule of Baldwin Borough's Contributions	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,128,406	\$ 1,254,872	\$ 930,813	\$ 991,571	\$ 847,269	\$ 863,379	\$ 858,140
Contributions in relation to the actuarially determined contribution	1,128,406	1,254,872	930,813	991,571	847,269	863,379	858,140
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,617,906	\$ 2,779,438	\$ 2,769,625	\$ 2,631,966	\$ 2,499,223	\$ 2,526,389	\$ 2,526,389
Contributions as a percentage of covered payroll	43.10%	45.15%	33.61%	37.67%	33.90%	34.17%	33.97%
Investment Returns							
Annual money-weighted rate of return, net of investment expense	8.86%	21.05%	-9.10%	16.40%	10.07%	-5.70%	2.35%

* 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

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, *

	2020	2019	2018
Total OPEB Liability:			
Service cost	\$ 201,533	\$ 177,549	\$ 172,797
Interest	190,773	189,998	187,334
Differences between expected and actual experience	33,216	-	-
Changes of assumptions	378,892	-	-
Benefit payments, including refunds of member contributions	(286,596)	(294,400)	(271,643)
Net Changes in Total OPEB Liability	517,818	73,147	88,488
Total OPEB Liability - Beginning	5,887,701	5,814,554	5,726,066
Total OPEB Liability - Ending (a)	<u>\$ 6,405,519</u>	<u>\$ 5,887,701</u>	<u>\$ 5,814,554</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, 2020

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	1/1/2017	1/1/2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.50%	7.25%
Projected salary increases	4.5%	4.25%
Underlying inflation rate	3.00%	2.75%
Mortality	RP-2014 Mortality Table, rates set forward 5 years for disabled members. Rates derived from Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.	RP-2014 Mortality Table, rates set forward 5 years for disabled members. Rates derived from Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.
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, 2020

Benefit Changes

Service Employees Pension Plan

The benefit level for participants who complete 25 or more years of service was increased from 46% to 48% effective January 1, 2022. Along with the increase in the benefit, the employee contributions will be increased to 5% effective January 1, 2020 and 6% effective January 1, 2022. The benefit change increased the Actuarial Accrued Liability by \$49,007.

Police Pension Plan

None

Changes in Assumptions

Service Employees Pension Plan

None

Police Pension Plan

None

BOROUGH OF BALDWIN

NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2020

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, 2020
Actuarial Cost Method: Entry age normal cost
Amortization Method: Level dollar

Economic Assumptions:

Discount Rate: 3.00%
Inflation 2.75%

Annual Trend Rates for OPEB Costs:

Year	Medical	Dental/Vision
2020	3.50%	1.50%
2021 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, 2020

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

SUPPLEMENTARY INFORMATION

BOROUGH OF BALDWIN

COMBINING STATEMENT OF FIDUCIARY NET POSITION PENSION TRUST FUNDS

DECEMBER 31, 2020

	Police Pension Fund	Service Employees Pension Fund	Total
Assets			
Cash and cash equivalents	\$ 22	\$ 103	\$ 125
Investments:			
Equity mutual funds	15,308,276	2,683,681	17,991,957
Fixed income mutual funds	5,917,562	1,624,047	7,541,609
Total Assets	\$ 21,225,860	\$ 4,307,831	\$ 25,533,691
Liabilities and Net Position			
Liabilities:			
Benefits payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Net Position:			
Restricted for pension benefits	21,225,860	4,307,831	25,533,691
Total Liabilities and Net Position	\$ 21,225,860	\$ 4,307,831	\$ 25,533,691

BOROUGH OF BALDWIN

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PENSION TRUST FUNDS

YEAR ENDED DECEMBER 31, 2020

	Police Pension Fund	Service Employees Pension Fund	Total
Additions:			
Contributions:			
Borough	\$ 899,448	\$ 31,309	\$ 930,757
Commonwealth	228,958	76,319	305,277
Plan members	198,652	28,690	227,342
Other income	22	103	125
Total contributions	1,327,080	136,421	1,463,501
Investment earnings (loss):			
Net appreciation (depreciation) in fair value of investments	942,521	305,236	1,247,757
Interest and dividends	755,310	251,734	1,007,044
Total investment earnings (loss)	1,697,831	556,970	2,254,801
Transfer from Service Employee Pension Fund	520	-	520
Total additions	3,025,431	693,391	3,718,822
Deductions:			
Benefits	1,094,358	235,153	1,329,511
Administrative expenses	38,745	17,098	55,843
Transfer to Police Pension Fund	-	520	520
Total deductions	1,133,103	252,771	1,385,874
Change in Net Position	1,892,328	440,620	2,332,948
Net Position:			
Beginning of year	19,333,532	3,867,211	23,200,743
End of year	\$ 21,225,860	\$ 4,307,831	\$ 25,533,691