

**Borough of Baldwin
Stormwater Authority**

A Component Unit of the
Borough of Baldwin

Financial Statements

Year Ended December 31, 2023
with Independent Auditor's Report

MaherDuessel

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BOROUGH OF BALDWIN STORMWATER AUTHORITY

YEAR ENDED DECEMBER 31, 2023

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Independent Auditor's Report

**Members of the Board
Borough of Baldwin Stormwater Authority**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Borough of Baldwin Stormwater Authority (Authority), a component unit of the Borough of Baldwin, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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 basic 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
June 28, 2024

BOROUGH OF BALDWIN STORMWATER AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2023

Assets	
Current assets:	
Cash and cash equivalents	\$ 2,272,211
Accounts receivable	<u>694,355</u>
Total current assets	<u>2,966,566</u>
Noncurrent assets:	
Capital assets, not being depreciated	<u>708,155</u>
Total Assets	<u><u>3,674,721</u></u>
Liabilities	
Current liabilities:	
Accounts payable	2,587
Due to Borough	<u>71,786</u>
Total Liabilities	<u>74,373</u>
Net Position	
Net investment in capital assets	708,155
Unrestricted	<u>2,892,193</u>
Total Net Position	<u><u>\$ 3,600,348</u></u>

See accompanying notes to financial statements.

BOROUGH OF BALDWIN STORMWATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2023

Operating Revenues:

Charges for service	\$ 1,099,260
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Operating Expenses:

Administrative	22,463
Contracted services	6,514
Personnel services	166,440
Supplies and materials	5,682
Other services and charges	500

Total operating expenses	201,599
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Operating Income (Loss)	897,661
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Non-Operating Revenues (Expenses):

Interest income	15,547
ARPA revenue	171,299

Total non-operating revenues (expenses)	186,846
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Change in Net Position	1,084,507
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Net Position:

Beginning of year	2,515,841
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End of year	\$ 3,600,348
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See accompanying notes to financial statements.

BOROUGH OF BALDWIN STORMWATER AUTHORITY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities:

Cash received from customers	\$ 1,091,517
Cash paid to suppliers	(11,319)
Cash paid to employees	(94,654)
Cash paid for administration costs	(22,463)
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Net cash provided by (used in) operating activities	963,081
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Cash Flows From Investing Activities:

Interest income	15,547
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Cash Flows From Capital and Related Financing Activities:

Purchase and construction of capital assets	(199,107)
ARPA revenue	171,299
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Net cash provided by (used in) capital financing activities	(27,808)
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Net Increase (Decrease) in Cash and Cash Equivalents	950,820
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Cash and Cash Equivalents:

Beginning of year	1,321,391
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End of year	\$ 2,272,211
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Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:

Operating income (loss)	\$ 897,661
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Change in assets and liabilities:	
Accounts receivable	(7,743)
Accounts payable	1,377
Due to Borough	71,786
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Net cash provided by (used in) operating activities	\$ 963,081
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See accompanying notes to financial statements.

BOROUGH OF BALDWIN STORMWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

1. Reporting Entity

The Borough of Baldwin Stormwater Authority (Authority) is a body corporate and politic, organized under the Municipality Authorities Act of 1945, as amended and supplemented, having been duly organized, under said Act by the Borough of Baldwin (Borough). The Authority commenced operations on January 8, 2021.

The purpose of the Authority is to provide financing, operation, and maintenance of a comprehensive stormwater management system, including underground pipes, conduits, inlets, outfalls, channels, detention ponds, best management practices, public streets, curbs, conveyances, appurtenances, and drains and to establish reasonable and uniform rates based in whole or in part on property characteristics for the inhabitants of the Borough.

The Authority is considered to be a component unit of the Borough, due to the Borough's selection of the governing body of the Authority and the Borough's accountability for Authority fiscal matters.

2. Summary of Significant Accounting Policies

Basis of Accounting and Measurement Focus

The Authority is considered an Enterprise Fund and, as such, utilizes the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Operations that are accounted for as an Enterprise Fund are financed and operated in a manner similar to private business enterprises, where the intent of the Authority is that the costs (expenses, including depreciation where applicable) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and

BOROUGH OF BALDWIN

STORMWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Billings are prepared for the Authority monthly. The stormwater fee is \$8.00 per month for each single-family detached residential property. This fee unit is identified as an Equivalent Residential Unit (ERU). An ERU is designated as 2,200 Square Feet (SF) of impervious surfaces (building roofs, paved surfaces, sidewalks, etc.) based on the Borough's Stormwater Management Fee Study. Accounts receivable consist of unpaid billings and earned but unbilled charges. No adjustment has been made for estimated uncollectible accounts because the related amounts are not material to the Authority's financial statements.

Capital Assets

Capital assets are recorded at historical cost, less accumulated depreciation. The Authority defines them as assets with an initial, individual cost of more than \$15,000 and an estimated useful life in excess of one year. Routine repairs and maintenance are expensed as incurred.

Depreciation of all capital assets is charged against operations and closed to net position. Depreciation on assets has been provided using the straight-line method over the estimated useful lives, as follows:

Equipment	5-10 years
Stormwater lines	40 years
Buildings	40 years

BOROUGH OF BALDWIN STORMWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

The stormwater lines, meters, and other equipment used to operate the water system acquired prior to January 8, 2021 are the property of the Borough and are not reflected in these financial statements. Stormwater system assets acquired after this date are shown in the Authority's financial statements.

Net Position

Accounting standards require the classification of net position into three components – net investment in capital assets, unrestricted, and restricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net position consists of constraints placed on net position use through external restrictions. The Authority did not have any restricted net position at December 31, 2023.
- Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Use of Estimates

The preparation of 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 reported amounts of assets, liabilities, deferred inflows and outflows, and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material.

BOROUGH OF BALDWIN STORMWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Transfers from Baldwin Borough

The Borough of Baldwin transfers general funds to the Authority to fund fixed asset purchases and other items. No such transfers occurred in 2023.

Adopted Pronouncements

The following GASB Statements were adopted for the year ended December 31, 2023: Statement Nos. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) and 96 (Subscription-Based Information Technology Arrangements). These statements had no significant impact on the Organization's financial statements for the year ended December 31, 2023.

Pending Pronouncements

GASB has issued statements that will become effective in future years including 94 (Public-Private and Public-Public Partnerships), 100 (Accounting Changes and Error Corrections), and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

3. Cash and Cash Equivalents

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, short-term commercial paper issued by a public corporation, banker's acceptance, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. The deposit and investment policy of the Authority adheres to state statutes.

The Authority does not have a formal deposit and investment policy; as such, the Authority has no policy on custodial credit risk, credit risk, interest rate risk, or concentration of credit risk. The Authority 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.

BOROUGH OF BALDWIN

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. As of December 31, 2023, \$500,000 of the Authority's bank balance was insured by the FDIC and \$1,773,435 was exposed to custodial credit risk, but 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. These deposits have a carrying amount of \$2,272,211 at December 31, 2023.

4. Capital Assets

Capital assets are comprised of the following:

	January 1, 2023	Additions	Deletions/ Transfers	December 31, 2023
Capital assets, not being depreciated:				
Construction in progress	\$ 509,048	\$ 199,107	\$ -	\$ 708,155
Total capital assets, not being depreciated	<u>\$ 509,048</u>	<u>\$ 199,107</u>	<u>\$ -</u>	<u>\$ 708,155</u>

5. Contingencies and Commitments

From time to time in the ordinary course of business, there are various matters of pending litigation in which the Authority is involved. The amount of liability, if any, related to these matters at year-end is not subject to determination. Accordingly, the financial statements do not include any adjustment for possible effects of these cases. Management is of the opinion that these matters will not result in material adverse effect on the Authority's operations and financial position.

There were no construction commitments related to stormwater lines at December 31, 2023.

BOROUGH OF BALDWIN STORMWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

6. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Since inception of the Authority, no significant insurance claims or changes in insurance coverage have occurred.