

# **Borough of Baldwin**

## Primary Government Financial Statements and Required Supplementary and Supplementary Information

Year Ended December 31, 2013 with  
Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# **BOROUGH OF BALDWIN**

YEAR ENDED DECEMBER 31, 2013

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# **BOROUGH OF BALDWIN**

YEAR ENDED DECEMBER 31, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Borough's primary government as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Basis for Adverse Opinions on Governmental Activities and Discretely Presented Component Units**

As described in Note 2, the Borough prepares its statement of net position and statement of activities for governmental activities using the modified accrual basis of accounting. Accounting principles generally accepted in the United States of America require the preparation of these government-wide financial statements using the full-accrual basis of accounting, including capitalizing and depreciating fixed assets, recognizing long-term debt and post-employment benefit obligations, and allocating certain expenses by

function. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the governmental activities has not been determined.

The financial statements referred to above do not include financial data for the Borough's legally separate component unit. 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. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the government-wide financial statements has not been determined.

### **Adverse Opinions on Governmental Activities and Discretely Presented Component Units**

In our opinion, because of the significance of the matter discussed in the first paragraph of the "Basis for Adverse Opinions" section, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Borough, as of December 31, 2013, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, because of the significance of the matter discussed in the second paragraph of the "Basis for Adverse Opinions" section, 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, 2013, or the changes in financial position thereof for the year then ended.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information for the Borough as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the 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. The Borough has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of the Borough. The combining other governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining other governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
April 28, 2014

# BOROUGH OF BALDWIN

## STATEMENT OF NET POSITION

DECEMBER 31, 2013

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,067,645	\$ 1,170,770	\$ 2,238,415
Cash and cash equivalents - restricted	-	12,220,096	12,220,096
Taxes receivable	1,125,987	-	1,125,987
Accounts receivable - sewage, net	-	431,174	431,174
Accrued sewer billings receivable	-	388,957	388,957
Other receivables	95,124	-	95,124
Prepaid expenses	128,943	-	128,943
Due from other funds	5,003	640,100	645,103
Total current assets	2,422,702	14,851,097	17,273,799
<b>Capital assets:</b>			
Infrastructure assets, net of accumulated depreciation	-	9,620,159	9,620,159
<b>Total Assets</b>	\$ 2,422,702	\$ 24,471,256	\$ 26,893,958
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>			
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 136,308	\$ 707,074	\$ 843,382
Accrued payroll	-	5,667	5,667
Long-term debt - current portion	-	258,054	258,054
Other liabilities	164,647	-	164,647
Due to other funds	642,672	2,431	645,103
Total current liabilities	943,627	973,226	1,916,853
<b>Noncurrent liabilities:</b>			
Long-term debt - long-term portion	-	20,860,250	20,860,250
Less discount on bonds	-	(259,943)	(259,943)
Total noncurrent liabilities	-	20,600,307	20,600,307
Total Liabilities	943,627	21,573,533	22,517,160
<b>Deferred inflows of resources</b>			
Unavailable revenue	620,559	-	620,559
Total Liabilities and Deferred Inflows of Resources	1,564,186	21,573,533	23,137,719
<b>Net Position:</b>			
Net investment in capital assets	-	550,751	550,751
<b>Restricted:</b>			
Capitalized interest	-	171,200	171,200
Supplies and street lighting	37,684	-	37,684
Unrestricted	820,832	2,175,772	2,996,604
Total Net Position	858,516	2,897,723	3,756,239
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	\$ 2,422,702	\$ 24,471,256	\$ 26,893,958

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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
General government	\$ 672,283	\$ 151,368	\$ -	\$ (520,915)	\$ -	\$ (520,915)
Public safety - police	3,386,886	211,653	26,323	(3,148,910)	-	(3,148,910)
Public safety - fire	391,900	-	107,398	(284,502)	-	(284,502)
Public safety - other	260,783	-	-	(260,783)	-	(260,783)
Public works - sanitation	1,454,526	-	-	(1,454,526)	-	(1,454,526)
Public works - highways	1,774,691	-	426,404	(1,348,287)	-	(1,348,287)
Culture and recreation - library	180,000	-	-	(180,000)	-	(180,000)
Culture and recreation - other	347,680	5,053	-	(342,627)	-	(342,627)
Capital outlay	118,915	-	-	(118,915)	-	(118,915)
Debt service	459,742	-	-	(459,742)	-	(459,742)
Insurance and employee benefits	1,256,710	25,363	260,252	(971,095)	-	(971,095)
Total governmental activities	10,304,116	393,437	820,377	(9,090,302)	-	(9,090,302)
<b>Business-Type Activities:</b>						
Swimming pool	148,349	50,487	-	-	(97,862)	(97,862)
Sewer system	4,485,785	4,818,072	-	-	332,287	332,287
Total business-type activities	4,634,134	4,868,559	-	-	234,425	234,425
<b>Total Primary Government</b>	\$ 14,938,250	\$ 5,261,996	\$ 820,377	(9,090,302)	234,425	(8,855,877)
<b>General revenues:</b>						
Taxes:						
Property taxes, levied for general purposes				4,832,510	-	4,832,510
Earned income taxes				2,344,195	-	2,344,195
Other taxes levied for general purposes				357,120	-	357,120
County sales tax (Act 77)				541,434	-	541,434
Cable franchise fees				395,734	-	395,734
PURTA and alcohol beverage tax				15,609	-	15,609
Investment earnings				9,029	-	9,029
Refund of prior year expenditures (revenues), net				7,582	-	7,582
Capital lease proceeds				105,893	-	105,893
Miscellaneous				4,592	24,901	29,493
Transfers				(97,000)	97,000	-
Total general revenues				8,516,698	121,901	8,638,599
				(573,604)	356,326	(217,278)
				<b>Change in Net Position</b>		
				<b>Net Position:</b>		
				1,432,120	2,541,397	3,973,517
				Beginning of year		3,973,517
				End of year	\$ 858,516	\$ 3,756,239
				\$ 858,516	\$ 2,897,723	\$ 3,756,239

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

# BOROUGH OF BALDWIN

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 786,181	\$ 281,464	\$ 1,067,645
Taxes receivable, net	1,125,987	-	1,125,987
Other receivables	95,124	-	95,124
Prepaid expenses	128,943	-	128,943
Due from other funds	2,431	2,572	5,003
<b>Total Assets</b>	<b>\$ 2,138,666</b>	<b>\$ 284,036</b>	<b>\$ 2,422,702</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 136,308	\$ -	\$ 136,308
Other liabilities	164,647	-	164,647
Due to other funds	642,672	-	642,672
<b>Total Liabilities</b>	<b>943,627</b>	<b>-</b>	<b>943,627</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	620,559	-	620,559
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,564,186</b>	<b>-</b>	<b>1,564,186</b>
<b>Fund Balance:</b>			
Nonspendable - prepaids	128,943	-	128,943
Restricted:			
Supplies and street lighting	-	37,684	37,684
Assigned - capital improvements	-	246,352	246,352
Unassigned	445,537	-	445,537
<b>Total Fund Balance</b>	<b>574,480</b>	<b>284,036</b>	<b>858,516</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 2,138,666</b>	<b>\$ 284,036</b>	<b>\$ 2,422,702</b>

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

# BOROUGH OF BALDWIN

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

YEAR ENDED DECEMBER 31, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 8,075,259	\$ -	\$ 8,075,259
Licenses and permits	395,974	-	395,974
Fines and forfeitures	109,207	-	109,207
Interest and rents	8,963	66	9,029
Intergovernmental	449,795	386,191	835,986
Charges for services	258,627	-	258,627
Miscellaneous	-	4,592	4,592
	<b>9,297,825</b>	<b>390,849</b>	<b>9,688,674</b>
<b>Expenditures:</b>			
General government	672,283	-	672,283
Public safety - police	3,386,886	-	3,386,886
Public safety - fire	391,900	-	391,900
Public safety - other	260,783	-	260,783
Public works - sanitation	1,454,526	-	1,454,526
Public works - highway	1,396,994	377,697	1,774,691
Culture and recreation - library	180,000	-	180,000
Culture and recreation - other	347,680	-	347,680
Capital outlay	118,915	-	118,915
Debt service	459,742	-	459,742
Insurance and employee benefits	1,256,710	-	1,256,710
	<b>9,926,419</b>	<b>377,697</b>	<b>10,304,116</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(628,594)</b>	<b>13,152</b>	<b>(615,442)</b>
<b>Other Financing Sources (Uses):</b>			
Refund of prior year expenditures	77,162	-	77,162
Refunds of prior year revenues	(44,217)	-	(44,217)
Proceeds from capital lease obligation	105,893	-	105,893
Operating transfers in	-	170,589	170,589
Operating transfers out	(178,450)	(89,139)	(267,589)
	<b>(39,612)</b>	<b>81,450</b>	<b>41,838</b>
<b>Net Change in Fund Balance</b>	<b>(668,206)</b>	<b>94,602</b>	<b>(573,604)</b>
<b>Fund Balance:</b>			
Beginning of year	1,242,686	189,434	1,432,120
End of year	\$ 574,480	\$ 284,036	\$ 858,516

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, 2013

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 8,327,332	\$ 8,327,332	\$ 8,075,259	\$ (252,073)
Licenses and permits	368,430	368,430	395,974	27,544
Fines and forfeitures	108,000	108,000	109,207	1,207
Interest and rents	8,700	8,700	8,963	263
Intergovernmental	456,333	456,333	449,795	(6,538)
Charges for services	283,940	283,940	258,627	(25,313)
<b>Total revenues</b>	<b>9,552,735</b>	<b>9,552,735</b>	<b>9,297,825</b>	<b>(254,910)</b>
<b>Expenditures:</b>				
General government	630,828	630,828	672,283	(41,455)
Public safety - police	3,573,269	3,573,269	3,386,886	186,383
Public safety - fire	357,000	357,000	391,900	(34,900)
Public safety - other	247,470	247,470	260,783	(13,313)
Public works - sanitation	1,393,263	1,393,263	1,454,526	(61,263)
Public works - highway	611,719	611,719	1,396,994	(785,275)
Culture and recreation - library	180,000	180,000	180,000	-
Culture and recreation - other	219,483	219,483	347,680	(128,197)
Capital outlay	-	-	A 118,915	(118,915)
Debt service	1,268,286	1,268,286	B 459,742	808,544
Insurance and employee benefits	1,184,576	1,184,576	1,256,710	(72,134)
<b>Total expenditures</b>	<b>9,665,894</b>	<b>9,665,894</b>	<b>9,926,419</b>	<b>(260,525)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(113,159)</b>	<b>(113,159)</b>	<b>(628,594)</b>	<b>(515,435)</b>
<b>Other Financing Sources (Uses):</b>				
Refund of prior year expenditures	65,200	65,200	77,162	11,962
Refunds of prior year revenues	(9,000)	(9,000)	(44,217)	(35,217)
Proceeds from capital lease obligation	-	-	A 105,893	105,893
Proceeds - tax anticipation loan	1,250,000	1,250,000	B -	(1,250,000)
Operating transfers out	(1,193,041)	(1,193,041)	(178,450)	1,014,591
<b>Total other financing sources (uses)</b>	<b>113,159</b>	<b>113,159</b>	<b>(39,612)</b>	<b>(152,771)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(668,206)</b>	<b>\$ (668,206)</b>
<b>Fund Balance:</b>				
Beginning of year			1,242,686	
End of year			<u>\$ 574,480</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.

B - TAN borrowings and repayments are accounted for as increases and decreases in the TAN liability. For 2013, the TAN was not borrowed, as the real estate taxes were collected earlier in the year.

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, 2013

	Swimming Pool Fund	Sewer System Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,077	\$ 1,169,693	\$ 1,170,770
Cash and cash equivalents - restricted	-	12,220,096	12,220,096
Accounts receivable - sewage, net	-	431,174	431,174
Accrued sewage billings receivable	-	388,957	388,957
Due from other funds	-	640,100	640,100
Total current assets	1,077	14,850,020	14,851,097
Noncurrent assets:			
Sewer infrastructure	-	12,225,006	12,225,006
Swimming pool	828,480	-	828,480
Equipment	-	498,278	498,278
Accumulated depreciation	(828,480)	(3,103,125)	(3,931,605)
Total noncurrent assets	-	9,620,159	9,620,159
<b>Total Assets</b>	\$ 1,077	\$ 24,470,179	\$ 24,471,256
<b>Liabilities and Net Position</b>			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 6,852	\$ 700,222	\$ 707,074
Accrued payroll	1,520	4,147	5,667
Long-term debt - current portion	-	258,054	258,054
Due to other funds	2,431	-	2,431
Total current liabilities	10,803	962,423	973,226
Noncurrent liabilities:			
Long-term debt - long-term portion	-	20,860,250	20,860,250
Less discount on bonds	-	(259,943)	(259,943)
Total Noncurrent Liabilities	-	20,600,307	20,600,307
Total Liabilities	10,803	21,562,730	21,573,533
Net Position:			
Net investment in capital assets	-	550,751	550,751
Restricted for capitalized interest	-	171,200	171,200
Unrestricted	(9,726)	2,185,498	2,175,772
Total Net Position	(9,726)	2,907,449	2,897,723
<b>Total Liabilities and Net Position</b>	\$ 1,077	\$ 24,470,179	\$ 24,471,256

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, 2013

	Swimming Pool Fund	Sewer System Fund	Total
<b>Operating Revenues:</b>			
User charges	\$ 50,487	\$ 4,534,404	\$ 4,584,891
Tap-in fees	-	272,448	272,448
Charges for services - liens	-	11,220	11,220
Miscellaneous	-	24,901	24,901
Total operating revenues	50,487	4,842,973	4,893,460
<b>Operating Expenses:</b>			
Administration	120,413	784,611	905,024
Engineering services	-	348,816	348,816
Maintenance	27,936	131,001	158,937
Vernon avenue sewer repair	-	185,999	185,999
Sewer repair - five-year project	-	4,144	4,144
Depreciation	-	308,542	308,542
Insurance and employee benefits	-	40,690	40,690
Sanitation - ALCOSAN	-	1,319,049	1,319,049
Sanitation - Pleasant Hills	-	686,153	686,153
Total operating expenses	148,349	3,809,005	3,957,354
Net Operating Income (Loss)	(97,862)	1,033,968	936,106
<b>Non-operating Revenues (Expenses):</b>			
Interest expense	-	(676,780)	(676,780)
Income (Loss) before Transfers	(97,862)	357,188	259,326
<b>Other Financing Sources (Uses):</b>			
Transfers in	97,000	-	97,000
Change in Net Position	(862)	357,188	356,326
<b>Net Position:</b>			
Beginning of year	(8,864)	2,550,261	2,541,397
End of year	\$ (9,726)	\$ 2,907,449	\$ 2,897,723

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, 2013

	Swimming Pool Fund	Sewer System Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from user charges	\$ 50,487	\$ 4,619,993	\$ 4,670,480
Cash received from miscellaneous sources	-	24,901	24,901
Cash paid to employees for salaries and benefits	-	(444,818)	(444,818)
Cash paid to vendors for goods and services	(147,168)	(3,084,926)	(3,232,094)
Net cash provided by (used in) operating activities	(96,681)	1,115,150	1,018,469
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of equipment	-	(147,885)	(147,885)
Principal debt service payments	-	(105,000)	(105,000)
Interest debt service payments	-	(676,780)	(676,780)
Net cash provided by (used in) capital and related financing activities	-	(929,665)	(929,665)
<b>Cash Flows From Non-Capital Financing Activities:</b>			
Transfers from other funds	97,204	-	97,204
Cash paid to General Fund to cover operating expenses	-	(640,100)	(640,100)
Net cash provided by (used in) non-capital financing activities	97,204	(640,100)	(542,896)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	523	(454,615)	(454,092)
<b>Cash and Cash Equivalents:</b>			
Beginning of year	554	13,844,404	13,844,958
End of year	\$ 1,077	\$ 13,389,789	\$ 13,390,866
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>			
Net operating income (loss)	\$ (97,862)	\$ 1,033,968	\$ 936,106
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	-	308,542	308,542
Amortization expense	-	8,665	8,665
Change in assets and liabilities:			
Accounts receivable - sewage	-	(170,053)	(170,053)
Accrued sewer billings receivable	-	(28,026)	(28,026)
Due to other funds	-	(206,832)	(206,832)
Accrued payroll	-	525	525
Accounts payable	1,181	168,361	169,542
Net cash provided by (used in) operating activities	\$ (96,681)	\$ 1,115,150	\$ 1,018,469

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, 2013

	Police Pension Fund	Service Employees Pension Fund	Total
<hr/> <b>Assets</b> <hr/>			
Cash and cash equivalents	\$ 17,818	\$ 33,172	\$ 50,990
Investments:			
Equity mutual funds	4,577,485	1,773,709	6,351,194
Guaranteed investment contracts	-	46,254	46,254
Bond funds	8,561,731	960,645	9,522,376
Asset funds	-	1,374	1,374
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 13,157,034</b>	<b>\$ 2,815,154</b>	<b>\$ 15,972,188</b>
<hr/> <b>Net Position</b> <hr/>			
Restricted for pension benefits	<hr/> 13,157,034	<hr/> 2,815,154	<hr/> 15,972,188
	<hr/>	<hr/>	<hr/>
<b>Net Position</b>	<b>\$ 13,157,034</b>	<b>\$ 2,815,154</b>	<b>\$ 15,972,188</b>

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

# BOROUGH OF BALDWIN

## STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2013

	Police Pension Fund	Service Employees Pension Fund	Total
<b>Additions:</b>			
<hr/>			
Contributions:			
Employer	\$ 602,218	\$ 41,624	\$ 643,842
Plan members	207,562	40,190	247,752
State aid	195,189	65,063	260,252
	<hr/>	<hr/>	<hr/>
Total contributions	1,004,969	146,877	1,151,846
	<hr/>	<hr/>	<hr/>
Investment earnings:			
Net increase in fair value of investments	1,069,936	210,804	1,280,740
Interest and dividends	435,306	104,805	540,111
	<hr/>	<hr/>	<hr/>
Total investment earnings	1,505,242	315,609	1,820,851
	<hr/>	<hr/>	<hr/>
Total additions	2,510,211	462,486	2,972,697
	<hr/>	<hr/>	<hr/>
<b>Deductions:</b>			
<hr/>			
Benefits	771,032	137,666	908,698
Administrative expenses	47,988	20,910	68,898
	<hr/>	<hr/>	<hr/>
Total deductions	819,020	158,576	977,596
	<hr/>	<hr/>	<hr/>
<b>Change in Net Position</b>	1,691,191	303,910	1,995,101
	<hr/>	<hr/>	<hr/>
<b>Net Position:</b>			
<hr/>			
Beginning of year	11,465,843	2,511,244	13,977,087
	<hr/>	<hr/>	<hr/>
End of year	\$ 13,157,034	\$ 2,815,154	\$ 15,972,188
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2013

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### 1. THE REPORTING ENTITY

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

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

The Borough is financially accountable for:

1. Organizations that make up the legal municipal 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.

#### Component Unit

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

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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### 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 \$180,000 to the Library during 2013. The Library Board all 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.

## **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.

Separate financial statements are provided for governmental funds, 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 business-type information on the government-wide financial statements is reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 and the governmental-type activities on the government-wide statements are reported using the *current financial resource measurement focus* and the *modified accrual basis of accounting*. Governmental-type activities reported under this focus and basis of accounting is not in accordance with GAAP. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within sixty days from the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, earned income taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they have been collected within sixty days of year end. All other revenue items are considered to be measurable and available only when cash is received by the Borough.

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.

Additionally, the Borough reports on the following governmental funds:

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 *Grant Fund* is used to account for resources and disbursements of grants received by the Borough.

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

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.

Additionally, the Borough reports on the following proprietary fund:

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

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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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.

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

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

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.

### Use of Restricted and Unrestricted Resources

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.

### Investments

Investments are reported at fair value with the exception of the Pension Trust Funds' guaranteed investment contracts which are recorded at amortized cost. Funds are invested in accordance with the Borough's investment policy guidelines as described in Note 3.

### Allowance for Doubtful Accounts

Sewer receivables are reported at their net value. Where appropriate, receivables are reduced by the estimated portion that is expected to be uncollectible. Receivables also include sewer charges based on billings made during the following month and unbilled charges. Allowance

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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for doubtful sewer accounts receivable for the Sewer System Fund is \$99,096 at December 31, 2013.

### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable proprietary fund and business-type activities columns in the government-wide financial statements. The Borough does not maintain a specific threshold for fixed asset capitalization. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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
Swimming pool	30 years
Parks and playgrounds	20 years
Equipment	5-10 years

### Compensated Absences

In accordance with the terms of its various collective bargaining unit agreements, the Borough is responsible to pay eligible employees up to 100 days (police) and 75 days (service employees) of accumulated unused sick days at their daily rate of pay upon separation of service from the Borough. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements. As of December 31, 2013, the value of accumulated sick days to be paid in future years is \$674,764.

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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### Long-term Obligations

In the business-type activities on 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 in the applicable business-type activities or proprietary fund type statement of net positions. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements and governmental-type activities on the government-wide statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The amount of long-term obligations, while not reported on the government-wide statements, are included in Note 6.

### Fund Balance

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

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

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

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# **BOROUGH OF BALDWIN**

## **NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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### Estimates

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

### Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds. Annual operating budgets are adopted each fiscal year through the passage of an annual budget ordinance. The same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a GAAP basis, with exception of capital leases and tax anticipation note (TAN) borrowings and repayments. 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. TAN borrowings and repayments are accounted for as increases and decreases in the TAN liability.

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 can not legally exceed appropriations) over expenditures in budgeted funds is by department.

### Excess of Expenditures over Appropriations

For the year ended December 31, 2013, expenditures within in the General Fund exceeded appropriations in general government, public safety (fire and other), public works (sanitation and highway), culture and recreation (other), and insurance and employee benefits. The excess of expenditures within the General Fund for general government and public safety (both fire and other) was not material. The excess of expenditures within the General Fund for public works (highway and sanitation) was principally due to the payment of road and other construction costs which were budgeted for in the Capital Improvements Fund. The excess expenditures were funded by not transferring revenue to the Capital Improvements Fund from the General Fund. The excess of expenditures within the General Fund for culture and recreation (other) was principally due to salaries not allocated to the Sewer System Fund, as it was anticipated they would be when the budget was created. The excess of expenditures within the General Fund for insurance and employee benefits was principally due to worker's compensation not allocated to the Sewer System Fund, as it was anticipated they would be when the budget was created.

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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### 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, 2013, as well as interfund transfers for the year ended December 31, 2013, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Due To</u>	<u>Due From</u>
Governmental activities:				
General Fund	\$ -	\$ 178,450	\$ 642,672	\$ 2,431
Capital Improvements Fund	144,086	-	-	-
Highway Aid Fund	26,158	-	-	2,572
Grant Fund	345	89,139	-	-
Business-type activities:				
Swimming Pool Fund	97,000	-	2,431	-
Sewer System Fund	-	-	-	640,100
Total	<u>\$ 267,589</u>	<u>\$ 267,589</u>	<u>\$ 645,103</u>	<u>\$ 645,103</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 cash transferred from the Sewer System Fund to the General Fund to cover operational expenses, since no tax anticipation note was taken out in the current year.

### Deferred Inflows

Deferred Inflows at December 31, 2013 consists of unavailable revenue which is made up of \$111,294 of earned income taxes and \$509,265 of real estate taxes.

### Net Position

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

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition,
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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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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. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

- Restricted - This component of net position consists of constraints placed on net position use through external restrictions.
- Unrestricted - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

### Adopted Pronouncement

The Borough has adopted GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities.”* This statement reclassifies certain items that were reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

GASB has issued Statement No. 61, *“The Financial Reporting Entity: Omnibus,”* effective for periods beginning after June 15, 2012. The objective of this statement is to improve financial reporting for a governmental financial reporting entity by modifying existing requirements for the assessment of potential component units. This statement did not affect the financial statements of the Borough.

### Pending Pronouncements

GASB has issued Statement No. 67, *“Financial Reporting for Pension Plans,”* effective for financial statements for periods beginning after June 15, 2013 (the Borough’s December 31, 2014 financial statements), Statement No. 68, *“Accounting and Financial Reporting for Pensions,”* effective for fiscal years beginning after June 15, 2014 (the Borough’s December 31, 2015 financial statements), and Statement No. 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date,”* effective for fiscal years beginning after June 15, 2014 (the Borough’s December 31, 2015 financial statements). These statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirements for most governments that provide their employees with pension benefits.

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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GASB has issued Statement No. 69, “*Government Combinations and Disposals of Government Operations*,” effective for fiscal years beginning after December 15, 2013 (the Borough's financial statements for the year ended December 31, 2014). GASB Statement No. 69 provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 70, “*Accounting and Financial Reporting for Non-exchange Financial Guarantees*,” effective for financial statements for periods beginning after June 15, 2013 (the Borough’s financial statements for the year ending December 31, 2014). This statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees, and requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The effect of implementation of this statement has not yet been determined.

### 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. and Pennsylvania government obligations, equities, 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 funds for investment purposes. Fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

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

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

#### Deposits

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the Borough’s deposits may not be returned to it. As of December 31, 2013, \$2,014,430

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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of the Borough's bank balance of \$2,435,657 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, 2013, the carrying amounts of the Borough's deposits were \$2,409,615.

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 \$12,048,896. PLGIT has received an AAA rating from Standard & Poor's.

### 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 with the exception of the guaranteed investment contracts which are recorded at amortized cost.

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

*Credit risk* - For investments, the risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Trust Funds have an investment policy that limits its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2013, the Borough's entire investment portfolio was unrated.

*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. The Pension Trust Funds investment in the guaranteed investment contracts do not have a set maturity date and are permitted to be liquidated on demand but are subject to a market value adjustment upon termination of the account.

*Concentration of credit risk* - The Pension Trust Funds place no limit on the amount invested in any one issuer.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

### 4. CAPITAL ASSETS

The following is a summary of changes in business-type capital assets for the year ended December 31, 2013:

	Balance at January 1, 2013	Additions	Deletions	Balance at December 31, 2013
Business-Type Activities:				
Capital assets, being depreciated:				
Sewer infrastructure	\$ 12,225,006	\$ -	\$ -	\$ 12,225,006
Swimming pool	828,480	-	-	828,480
Equipment	350,393	147,885	-	498,278
Total capital assets, being depreciated	13,403,879	147,885	-	13,551,764
Less: accumulated depreciation for:				
Sewer infrastructure	(2,444,190)	(287,576)	-	(2,731,766)
Swimming pool	(828,480)	-	-	(828,480)
Equipment	(350,393)	(20,966)	-	(371,359)
Total accumulated depreciation	(3,623,063)	(308,542)	-	(3,931,605)
Total capital assets being depreciated net	9,780,816	(160,657)	-	9,620,159
Business activities capital assets, net	\$ 9,780,816	\$ (160,657)	\$ -	\$ 9,620,159

### 5. REAL ESTATE TAXES

Real estate taxes based on assessed valuations provided by Allegheny County (County) are levied on April 1 of the taxable year. The 2013 assessed value of real estate property totaled approximately \$759 million. Real estate taxes are billed and collected by an elected tax collector. Taxes paid by April 30 are given a 2% discount. Amounts paid after June 30 are assessed a 10% penalty. Any uncollected balances at the end of the year following the taxable year are collected by an outside service. No provision has been made for amounts estimated to be uncollectible.

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 5.410 mills.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

### 6. LONG-TERM DEBT

#### Capital Leases

The Borough has entered into various capital leases for vehicles and a sewer camera with maturity dates ranging from 2014 to 2016. Interest rates for these leases range from 3.09% to 6.50%. These leases either require 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, 2013, the Borough made lease payments of \$280,362.

The future minimum lease obligations and the net present value of the minimum lease payments related to these capital leases as of December 31, 2013 were as follows:

	2014	\$ 227,511
	2015	146,136
	2016	95,842
Less: amounts representing interest		<u>(36,152)</u>
Present value of minimum lease payments		<u><u>\$ 433,337</u></u>

Long-term debt activity for the year ended December 31, 2013 was as follows:

	January 1, 2013	Additions	Repayments	Refunding	December 31, 2013	Due Within One Year
<u>Governmental activities:</u>						
G.O. Bonds - 2004	\$ 430,000	\$ -	\$ (210,000)	\$ -	\$ 220,000	\$ 220,000
Capital leases	515,543	105,894	(236,412)	-	385,025	234,754
Governmental activities long-term liabilities	\$ 945,543	\$ 105,894	\$ (446,412)	\$ -	\$ 605,025	\$ 454,754
<u>Business-type activities:</u>						
G.O. Bonds - 2011	6,805,000	-	-	-	6,805,000	-
G.O. Bonds - 2012 A	3,360,000	-	(105,000)	-	3,255,000	240,000
G.O. Bonds - 2012 B	11,010,000	-	-	-	11,010,000	-
Capital leases	-	66,358	(18,054)	-	48,304	18,054
Business-type activities long-term liabilities	\$ 21,175,000	\$ 66,358	\$ (123,054)	\$ -	\$ 21,118,304	\$ 258,054

# **BOROUGH OF BALDWIN**

## **NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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### General Obligation Bonds - 2004

- In 2004, the Borough issued \$2,650,000 in General Obligation Bonds Series of 2004 (2004 bonds) with interest rates from 2.0% to 3.75%. The 2004 Bonds are due serially through May 2014. Payments made semi-annually on May 1 and November 1. Proceeds were used to currently refund the Borough's General Obligation Bonds Series of 1999 and pay for the reconstruction of Borough roads.

### General Obligation Bonds - 2011

- In 2011, the Borough issued \$7,425,000 in General Obligation Bonds Series of 2011 (2011 bonds) with interest rates from 1.0% to 4.0%. The 2011 Bonds are due serially through November 2032. Payments made semi-annually on May 1 and November 1. Proceeds were used to currently refund the Borough's two Pennvest 2002 notes and the Pennvest 2003 note and pay for sewer repairs. At December 31, 2012, \$620,000 of the principal of this note was refinanced by the 2012 bonds. As of December 31, 2013, \$410,000 of the defeased \$620,000 remained outstanding. These bonds are expected to be repaid from future sewer system revenues.

### General Obligation Bonds – 2012

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

Annual debt service requirements of the Borough are as follows:

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 220,000	\$ 4,125	\$ 240,000	\$ 680,848
2015	-	-	260,000	677,848
2016	-	-	470,000	672,020
2017	-	-	485,000	663,588
2018	-	-	505,000	654,550
2019-2023	-	-	2,695,000	3,129,788
2024-2028	-	-	3,100,000	2,762,741
2029-2033	-	-	3,710,000	2,206,318
2034-2038	-	-	4,390,000	1,406,703
2039-2043	-	-	5,215,000	579,630
Total	<u>\$ 220,000</u>	<u>\$ 4,125</u>	<u>\$ 21,070,000</u>	<u>\$ 13,434,034</u>

## 7. PENSION PLANS

### Plan Descriptions

The Borough administers two single-employer defined benefit pension plans covering 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.

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 January 1, 2013, the date of the most recent valuation, participants in the plans were as follows:

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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	<u>Police</u>	<u>Service Employees</u>	<u>Total</u>
Participants:			
Retirees and beneficiaries	24	12	36
Deferred vested	0	10	10
Active employees	25	16	41

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 benefit. In the event of death, each of the participant's dependent children will receive an equal share of the benefit until their 18<sup>th</sup> birthday. The disabled policeman is entitled to receive disability payments for life equal to 50% of final 36 months' average salary offset by Social Security disability benefits.

### **Service Employees:**

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

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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years for which they were employed by the Borough. The maximum benefit is 40% of average earnings.

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

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

### Summary of Significant Accounting Policies

Financial information of the Borough's plans is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due as required.

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

Investments of the plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price.

At December 31, 2013, the plans held investments in equity mutual funds, guaranteed investment contracts, and bond funds. In addition, the plans did not have any investment transactions with related parties during the year.

### Contributions and Funding Policy

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 2013, employee contributions were required as follows: Police contributed 8.0% and Service Employees contributed 1.0%.

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

The Borough's annual pension cost and related information for each plan is as follows:

	<u>Police</u>	<u>Service Employees</u>
Annual pension cost	\$ 791,866	\$ 104,645
Contributions made	\$ 797,407	\$ 106,687
Actuarial valuation date	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed
Amortization period	11	8
Asset valuation method	4-Year Smoothing	4-Year Smoothing
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0%	4.5%
Underlying inflation rate	3.0%	3.0%
Cost-of-living adjustments increase	A	n/a

n/a = not applicable

A = Cost-of-living adjustment is determined by Council and is not to exceed 30% of original benefit.

The Borough has a net pension obligation (NPO) as of December 31, 2013 calculated as follows:

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

	Police	Service Employees
Annual required contribution	\$ 797,407	\$ 106,687
Interest on NPO	12,851	2,798
Adjustment to the ARC	(18,392)	(4,840)
Annual pension cost	791,866	104,645
Contribution made	797,407	106,687
Change in NPO	(5,541)	(2,042)
NPO, 12/31/2012	171,345	37,300
NPO, 12/31/2013	\$ 165,804	\$ 35,258

### Three-Year Trend Information

	Year Ending	Pension Cost (APC)	of APC Contributed	Obligation (Asset)
Police:	12/31/2011	\$ 620,923	85%	\$ 83,824
	12/31/2012	644,360	86%	171,345
	12/31/2013	791,866	101%	165,804
Service Employees:	12/31/2011	\$ 156,543	90%	\$ 28,598
	12/31/2012	132,648	93%	37,300
	12/31/2013	104,645	102%	35,258

The excess of actuarial accrued liability over assets for the police and non-uniformed employees is (\$4,284,590) and (\$307,911), respectively, as of the actuarial valuation performed as of January 1, 2013. Schedules of funding progress are presented on page 37.

## **8. 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

# **BOROUGH OF BALDWIN**

## **NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2013

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years. Participation in the Plan is optional. The deferred compensation is not available to the employee until termination, retirement, or death. At December 31, 2013, 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, 2013 totaled approximately \$909,000. Under the provisions of GASB Statement No. 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*," the Plan is not required to be included in the Borough's financial statements.

### **9. 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 has paid no civil penalties for the year ended December 31, 2013. The Borough has estimated the remaining completion cost of the projects mandated by the consent decree to be approximately \$3.5 million.

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.

### **10. 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

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# **BOROUGH OF BALDWIN**

## **NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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carries commercial insurance. There have been no significant changes in insurance coverage since the prior year.

For its workers' compensation insurance coverage, the Borough participates in the Municipal Risk Management Worker's Compensation Pooled Trust (Trust), a public entity risk pool operated for the benefit of 199 cities, municipalities, boroughs, townships, and municipal authorities. Trust underwriting and rate-setting policies are established after consultation with an independent actuary and certain approvals of the Pennsylvania Department of Labor and Industry as mandated by Act 44 of 1993 (Act 44). All Trust participants may be subject to a supplemental assessment/dividend based on the overall experience of the participants, pursuant to Act 44. Each participant of the Trust agrees to jointly and severally assume and discharge the liabilities arising under the Workers' Compensation Act and Occupational Disease act of each and every participant of the Trust. 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.

### **11. OTHER POST-EMPLOYMENT BENEFITS (OPEBs)**

#### Plan Description

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

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

# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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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, 2012 (the date of the latest actuarial valuation), 13 retirees met the eligibility requirements to receive OPEBs.

### Funding Policy

These benefits are expensed when incurred and are financed on a pay-as-you-go basis. During 2013, the Borough paid \$243,381 in OPEB costs.

The Borough's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the component of the Borough's annual OPEB cost for the year, the amount actually contributed, and changes in the Borough's net OPEB obligation:

Annual required contribution	\$ 506,280
Interest on net OPEB obligation	37,523
Adjustment to annual required contribution	<u>(51,191)</u>
Annual OPEB cost	492,612
Contributions made	<u>(243,381)</u>
Increase in net OPEB obligation	249,231
Net OPEB obligation - beginning of year	<u>852,684</u>
Net OPEB obligation - end of year	<u><u>\$ 1,101,915</u></u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

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# BOROUGH OF BALDWIN

## NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

Fiscal Year Ending	Annual OPEB Cost	% of AOC Contributed	Net OPEB Obligation
December 31, 2013	\$ 492,612	49.41%	\$ 1,101,915
December 31, 2012	496,041	49.59%	852,684
December 31, 2011	421,136	53.09%	602,606

The ARC for the current year was computed as of January 1, 2012 using the following actuarial assumptions:

- actuarial cost method - entry age normal cost;
- amortization method - level dollar;
- amortization period - 30 year open period;
- discount rate - 4.5% compounded annually;
- mortality – RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment and ages set forward 5 years for disabled lives

The schedule of funding progress as of January 1, 2012 for the post-employment medical and benefits is as follows:

	Actuarial Value of Assets (a)	Liability (AAL) (b)	Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)
<b>Police:</b>	\$ -	\$ 5,316,284	\$ (5,316,284)	0.0%	N/A
<b>Non-Uniformed:</b>	\$ -	\$ 218,683	\$ (218,683)	0.0%	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the employer subsidy. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedules of funding progress present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# **BOROUGH OF BALDWIN**

## **NOTES TO THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Required Supplementary  
Information**

# BOROUGH OF BALDWIN

## SCHEDULES OF FUNDING PROGRESS - PENSION PLANS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Excess of AAL Over Assets	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
<b>Police:</b>						
1/1/2009	\$ 9,218,554	\$ 12,461,858	\$ (3,243,304)	73.97%	\$ 1,962,053	-165.30%
1/1/2011	10,272,359	14,416,277	(4,143,918)	71.26%	2,038,073	-203.33%
1/1/2013	11,398,834	15,683,424	(4,284,590)	72.68%	2,309,257	-185.54%
<b>Service Employees:</b>						
1/1/2009	\$ 2,062,010	\$ 2,447,789	\$ (385,779)	84.24%	\$ 849,461	-45.41%
1/1/2011	2,243,115	2,513,344	(270,229)	89.25%	815,152	-33.15%
1/1/2013	2,510,482	2,818,393	(307,911)	89.07%	799,573	-38.51%

Note: State law requires biennial valuations on the odd-numbered years.

See accompanying notes to required supplementary schedules.

# BOROUGH OF BALDWIN

## SCHEDULES OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES - PENSION PLANS

Calendar Year	Police		Service Employees	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2008	\$ 401,617	100%	\$ 132,899	100%
2009	411,859	100%	126,524	100%
2010	425,576	100%	126,961	100%
2011	619,859	85%	157,174	90%
2012	646,327	86%	134,140	92%
2013	797,407	100%	106,687	100%

Note: Contributions include state pension aid.

See accompanying notes to required supplementary schedules.

# BOROUGH OF BALDWIN

## SCHEDULES OF FUNDING PROGRESS - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Excess of AAL Over Assets	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
<b>Police:</b>						
1/1/2009	\$ -	\$ 3,840,468	\$ (3,840,468)	0.00%	N/A	N/A
1/1/2012	-	5,316,284	(5,316,284)	0.00%	N/A	N/A
<b>Non-Uniformed:</b>						
1/1/2009	\$ -	\$ 243,273	\$ (243,273)	0.00%	N/A	N/A
1/1/2012	-	218,683	(218,683)	0.00%	N/A	N/A

Note: Valuation as of 01/01/09 represents the initial valuation for the plan as required under GASB Statement No. 45 (implemented in 2009).

See accompanying notes to required supplementary schedules.

# BOROUGH OF BALDWIN

## NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2013

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### 1. PENSION INFORMATION

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:

	<u>Police</u>	<u>Service Employees</u>
Actuarial valuation date	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed
Amortization period	11	8
Asset valuation method	4-Year Smoothing	4-Year Smoothing
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0%	4.5%
Underlying inflation rate	3.0%	3.0%
Cost-of-living adjustments	A	n/a

n/a = not applicable

A = Cost-of-living adjustment is determined by Council and is not to exceed 30% of original benefit.

The January 1, 2013 valuation does not recognize any significant assumption changes for either the Service Employees' Plan or the Police Pension Plan when compared to the January 1, 2011 valuation.

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# **BOROUGH OF BALDWIN**

## **NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES**

**YEAR ENDED DECEMBER 31, 2013**

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### **2. OPEB INFORMATION**

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

# BOROUGH OF BALDWIN

## NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2013

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### Actuarial Data:

Valuation Date: January 1, 2012  
Actuarial Cost Method: Entry age normal cost  
Amortization Method: Level dollar

### Economic Assumptions:

Interest Rate: 4.50%

Annual Trend Rates for OPEB Costs:

Year	Medical	Dental/Vision
2013	6.00%	3.00%
2014 - 2015	5.75%	3.00%
2016 - 2017	5.50%	3.00%
2018 - 2019	5.25%	3.00%
2020 and later	5.00%	3.00%

### Demographic Assumptions:

Mortality: RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment and ages set forward 5 years for disabled lives

Mortality Improvement: Rates projected to improve with 75% of Scale AA

Withdrawal: Police: Table T-1, Actuary's Pension Handbook  
Non-Uniformed: Table T-2, Actuary's Pension Handbook

Disablement: Police: 60% of the rates of disablement from Advanced Pension Tables  
Non-Uniformed: None assumed

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

Participation: Police: 90% of eligible retirees elect coverage; 10% opt out

# BOROUGH OF BALDWIN

## NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2013

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Participation:	Police: 100% of eligible retirees Non-Uniformed: 100% of eligible retirees
Coverage Level:	Future Police Retirees: Before 1/1/2006: 20% Individual, 65% Husband/Wife, 15% Family After 1/1/2006: 50% Individual, 40% Husband/Wife, 10% Family Future Non-Uniformed Retirees: 35% Individual, 65% Husband/Wife Current Retirees: Continuation of current coverage level
Spouse Age:	Female spouse assumed to be three years younger than male spouse
Child Coverage:	Future and Current Police Retirees: Two dependents through retiree's age 57 and one through retiree's age 62

### **Insurance Premiums:**

Current Premium Schedules:	The reported annual applicable rates for medical, dental, and vision coverage for 2012
Age Adjustments:	Costs for medical benefits are projected with age-adjusted rates derived from the 2012 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 BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2013

	Highway Aid Fund	Grant Fund	Capital Improvements Fund	Total Other Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 35,112	\$ -	\$ 246,352	\$ 281,464
Due from other funds	2,572	-	-	2,572
<b>Total Assets</b>	<b>\$ 37,684</b>	<b>\$ -</b>	<b>\$ 246,352</b>	<b>\$ 284,036</b>
<b>Liabilities and Fund Balance</b>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance:				
Restricted	37,684	-	-	37,684
Assigned	-	-	246,352	246,352
Total Fund Balance	37,684	-	246,352	284,036
<b>Total Liabilities and Fund Balance</b>	<b>\$ 37,684</b>	<b>\$ -</b>	<b>\$ 246,352</b>	<b>\$ 284,036</b>

# BOROUGH OF BALDWIN

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

YEAR ENDED DECEMBER 31, 2013

	Highway Aid Fund	Grant Fund	Capital Improvements Fund	Total Other Governmental Funds
<b>Revenues:</b>				
Interest and rents	\$ 32	\$ 7	\$ 27	\$ 66
Intergovernmental	386,191	-	-	386,191
Miscellaneous	-	-	4,592	4,592
<b>Total revenues</b>	<b>386,223</b>	<b>7</b>	<b>4,619</b>	<b>390,849</b>
<b>Expenditures:</b>				
Public works - highway	377,697	-	-	377,697
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>8,526</b>	<b>7</b>	<b>4,619</b>	<b>13,152</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	26,158	345	144,086	170,589
Operating transfers out	-	(89,139)	-	(89,139)
<b>Net Change in Fund Balance</b>	<b>34,684</b>	<b>(88,787)</b>	<b>148,705</b>	<b>94,602</b>
<b>Fund Balance:</b>				
Beginning of year	3,000	88,787	97,647	189,434
End of year	<u>\$ 37,684</u>	<u>\$ -</u>	<u>\$ 246,352</u>	<u>\$ 284,036</u>