

# **Borough of White Oak**

## **Financial Statements and Required Supplementary Information**

**Year Ended December 31, 2016  
with Independent Auditor's Report**

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# **BOROUGH OF WHITE OAK**

YEAR ENDED DECEMBER 31, 2016

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YEAR ENDED DECEMBER 31, 2016

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## Independent Auditor's Report

Members of Council  
Borough of White Oak

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary activity of the Borough of White Oak (Borough), Pennsylvania, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary activity of the Borough as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 Management's Discussion and Analysis on pages i through xiv and the pension and OPEB information on pages 46 through 51 be presented to supplement the basic financial statements. Such 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. 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic 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.

*Maher Duessel*

Pittsburgh, Pennsylvania  
September 7, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

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December 31, 2016

This section of the Borough of White Oak's (Borough) financial statements presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2016. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the accompanying financial statements and notes, which follow in order to obtain a thorough understanding of the Borough's financial condition at December 31, 2016. The MD&A provides a comparative analysis between 2016 and 2015 of the government-wide data.

## REVIEWING THE ANNUAL AUDIT REPORT

The first two statements are government-wide financial statements that provide information about the Borough's primary activities.

The remaining statements are fund financial statements that focus on the Borough's most significant funds with all other non-major funds presented in one column.

The government-wide statements report information about the Borough as a whole using accounting methods similar to those used in the private sector. The Statement of Net Position includes all of the Borough's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities.

The two government-wide statements report the Borough's net position and how it may have changed. The Statement of Net Position includes all of the Borough's assets and liabilities, except fiduciary funds. Net position is one way to measure the Borough's financial health or position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. The Statement of Activities focuses on how the net position changed during the year.

## THE BOROUGH AS A WHOLE ANALYSIS

These statements give an account of the Borough's net position and any changes to that position. However, to truly judge the condition of the Borough, some non-financial factors, such as diversification of the taxpayer base or the condition of the Borough's infrastructure, must be considered in addition to the financial information provided in this report.

The statement of Net Position and the Statement of Activities divide the Borough into two (2) types of activities:

- 1) **Governmental activities:** The Borough's basic services are accounted for in this section, including the police, fire, public works, parks department, and general administration. Property taxes, franchise fees, and state and federal grants finance the majority of these activities.
- 2) **Business-type activities:** The activities are reported in the fund financial statements and generally report services for which the Borough charges customers a fee. There are two (2) kinds of business-type activities. These are enterprise funds and internal service funds.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Borough organization. The Borough has no internal service funds.

## DETAILING THE MOST IMPORTANT FUNDS

The fund financial statements provide detailed information about the most important funds of the Borough. Certain funds are mandated by State law and by bond agreements. Other funds are established to manage money, meet legal requirements or for certain taxes or grants.

The Borough has Governmental, Proprietary, and Fiduciary Funds.

*Government Funds:* Basic services are reported in government funds. Government fund financial statements detail how money flows in and out of the funds and reports the balances left at year-end that are on hand for disbursement. Government funds are reported using an accounting method called modified accrual accounting. This method measures cash and financial assets that can easily be converted to cash. The governmental fund accountability focuses on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the next term.

Budgetary comparison statements are included in the basic financial statements for the general fund and major revenue fund. These statements and schedules demonstrate compliance within the Borough adopted and final revised budget.

*Proprietary Funds:* Proprietary funds (aka business type) are those the Borough charges for services it provides both to Borough units and outside customers. Proprietary funds are reported in Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets. The Borough's enterprise funds, a component of proprietary funds, are the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flow.

*Fiduciary Funds:* The Borough is the trustee, or fiduciary, for three (3) retirement benefit plans: non-uniformed pension plan, uniformed pension plan, and the retired life/post retirement benefit plan. The plans cover all full-time employees. The Borough is responsible for ensuring that assets reported in these funds are used for their intended purpose. All of the Borough's fiduciary activities are reported in a separate statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These are excluded from the government-wide financial statements because the Borough cannot use these assets to finance its operations.

Note: The Post Retirement Benefit Fund is reflected as fiduciary fund in the financial statements although the funds have not been deposited into an irrevocable trust as it is the intent to permanently isolate the funds for future payment of the other post-retirement benefits. Council needs to make a decision as to whether or not to establish the fund as an irrevocable trust.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

## FINANCIAL HIGHLIGHTS – Statement of Net Position - page 1 of Report

The statement of Net Position is a government-wide financial statement required under GASB Statement No. 34. In this statement, governments report all capital assets, including infrastructure, net of accumulated depreciation.

The term “net position” replaces the term “net assets” as the difference between assets and liabilities.

The Statement of Net Position is designed to display a basic accounting relationship: assets minus liabilities equal net position. The statement reports the assets that a government owns and the liabilities that it owes as of the last day of the fiscal year. Net position is those assets remaining after liabilities have been paid off or otherwise satisfied.

During the year, the Borough adopted GASB Statement No. 72, “*Fair Value Measurement and Application*,” which addresses accounting and financial reporting issues related to fair value measurements; GASB Statement No. 76, “*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*,” which identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP (this statement supersedes Statement No. 55); and GASB Statement No. 77 “*Tax Abatement Disclosures*,” which requires certain information to be disclosed about tax abatement agreements entered into between a government and individuals or entities. The disclosure requirements of these statements have been incorporated into the financial statements.

The Borough’s net position at December 31, 2016 was \$8,775,340, of which \$7,035,657 is net investment in capital assets. Capital assets account for approximately 65% of the Borough’s total assets of \$10,858,404. The remainder of the Borough’s assets includes cash and cash equivalents and receivables.

The Borough’s net position at December 31, 2015 was \$8,545,714, of which \$6,344,577 is net investment in capital assets. Capital assets account for approximately 62% of the Borough’s total assets of \$10,221,108. The remainder of the Borough’s assets includes cash and cash equivalents and receivables.

The Borough’s total liabilities are \$2,280,743 as of December 31, 2016 and consist of long-term debt, a line of credit, accounts payable, net pension liability, and other accrued liabilities. The Borough’s total liabilities are \$1,974,512 as of December 31, 2015 and consist of long-term debt, accounts payable, net pension liability, and other accrued liabilities. The majority of the increase from 2015 to 2016 can be attributed to the new line of credit drawn down on during 2016.

The Borough authorized the engineering firm to investigate the White Oak Athletic Association site for possible installation of insulation. Council discussed the possibility of a complete rehabilitation project at the site. There were professional service fees associated with these two issues of \$450 in 2007. In 2008, there were professional services fees associated with the expanded project of \$4,743 in engineering fees and \$3,368 in geotechnical core drilling/analysis report, \$6,964 in surveying fees and \$2,200 in environmental fees. These services totaled \$17,275 in 2008. In 2009, 2010, 2011, 2012, 2013, and 2014, there were no expenses associated with this ongoing project. In 2015, the Borough did authorize the preparation of bid



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

documents for roof, electrical, and mechanical upgrades. The cost associated with the preparation of the bid/plan documents was \$21,761.76. In 2016, the Borough was advised by Allegheny County of an award CITF in the amount of \$100,000. Council has approved motion to proceed with the roofing portion of the bid for \$98,805.

The Borough has had a strong commitment for construction of a community center. In preparing for this project, the engineering firm was authorized to start preliminary work. In 2008, there were professional services fees associated with the project of \$3,359 in engineering fees and \$721 in geotechnical core drilling/analysis report and \$4,394 in surveying fees. These services totaled \$8,474 in 2008. In 2009, 2010, 2011, and 2012, there were no expenses associated with this ongoing project. In 2013, the Borough had engineering expenses associated with a community center project totaling \$12,051, and \$32,283 in 2014.

In December 2011, the Borough did receive written confirmation from the Commonwealth of Pennsylvania Department of Conservation and Natural Resources (DCNR) that a \$500,000 matching grant has been awarded to the Borough. In 2015, the Borough did proceed with acceptance of the grant as well as the bidding/construction process of this center. Costs associated with this project in 2015 are \$233,443 (\$126,860 actual construction; \$106,583 engineering/project manager, legal, advertising). Project is still ongoing as of July 2017. There has been no draw down on the grant.

Capital purchases included the following:

|                           |        |                    |
|---------------------------|--------|--------------------|
| 1- HP Server              | Admin  | \$2,500.00         |
| 1- Camera Security System | Admin  | 3,850.00           |
| 3- Tasers                 | Police | 3,277.00           |
| 3- Shotguns               | Police | 2,019.00           |
| 3- Mobile Radios          | Police | 1,622.00           |
| 2- Police Cruiser         | Police | 45,980.00          |
| 1- Police SUV             | Police | 37,204.00          |
| <b>TOTAL COSTS</b>        |        | <b>\$96,452.00</b> |

Infrastructure

The infrastructure projects included embankment failure - Stepanik Road, storm sewer/French drain projects, and catch basin projects:

|                    |                                |                     |
|--------------------|--------------------------------|---------------------|
|                    | Stepanik Road                  | \$175,017.00        |
|                    | SS, 2700 Capital               | 9,883.00            |
|                    | CB – Repairs, 1400 BLK Raymont | 4,508.00            |
|                    | CB Repairs, 310 Oliver Dr      | 2,630.00            |
|                    | CB Repair, University Dr       | 4,745.00            |
|                    | CB Repair, 1908 California Ave | 2,533.00            |
|                    | SS, 3100 BLK Kelly             | 12,637.00           |
|                    | SS, McCully St                 | 3,039.00            |
|                    | Manhole repair, 126 Camella    | 3,929.00            |
|                    | CB Repair, 129 Upper Hechner   | 7,013.00            |
|                    | CB Repair, Royal Oak Dr        | 2,688.00            |
|                    | Overfill alarm-ungrd fuel tank | 4,400.00            |
| <b>TOTAL COSTS</b> |                                | <b>\$233,022.00</b> |

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

When calculating the cost of projects done in-house, wages, FICA, and Medicare costs are included along with Borough equipment costs (use current FEMA rate) and cost of materials

Note that the Uniformed Pension Plan, Non-Uniformed Pension Plan, and retired Employee Benefit Fund are not included in the Net Asset Value, as they are considered "trust arrangements" which fall under the category of fiduciary funds. Fiduciary funds are not reported in the government-wide statements, because they account for assets not belonging to the government. The total combined net position of these funds is \$7,884,931 at December 31, 2016, \$7,574,428 at December 31, 2015, \$7,339,790 at December 31, 2014, and \$6,813,182 at December 31, 2013. (Page 15 of Report)

## OTHER FINANCIAL HIGHLIGHTS

### **Government –Wide Financial Statements – Page 2 of Report**

Program revenues for fiscal year 2016 of \$1,542,463 consist mainly of charges for services (66.2%), which relate mainly to solid waste billing. General revenues of \$3,622,698 consist mainly of real estate and earned income taxes. Expenses totaled \$4,935,535 and relate to provision of services such as public safety, sanitation, public works, and general government. The total change in net assets at December 31, 2016 is a positive \$229,626. For the government-wide financial statements, transfers have been eliminated.

Program revenues for fiscal year 2015 of \$1,534,979 consist mainly of charges for services (66.8%), which relate mainly to solid waste billing. General revenues of \$3,297,659 consist mainly of real estate and earned income taxes. Expenses totaled \$4,773,475 and relate to provision of services such as public safety, sanitation, public works, and general government. The total change in net assets at December 31, 2015 is a positive \$59,163. For the government-wide financial statements, transfers have been eliminated.

### **Fund Statements – Page 5 of Report**

For the year ending December 31, 2016, real estate and other taxes (EIT, BP, MT, RAD) account for the majority of the Borough's revenues (79.7%). Without the RAD and Miscellaneous Taxes being included, that percent is reduced to 71.3%.

For the year ending December 31, 2015, real estate and other taxes (EIT, BP, MT, RAD) account for the majority of the Borough's revenues (88.5%). Without the RAD and Miscellaneous Taxes being included, that percent is reduced to 82.4%.

### **Real Estate Taxes and Assessed Value**

White Oak levies millage rates for general purposes and fire protection. There is not a separate levy for fire protection; it is a combined general purpose levy which includes general purpose allocations for fire protection. Below is a breakdown of the assessed value, millage rate, and face value of statements. Certified value as of January 1, 2016 was \$384,481,107.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

|                         | 2012          | 2013          | 2014          | 2015          | 2016          |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Assessed Value 12/31    | \$338,761,618 | \$391,707,107 | \$395,559,307 | \$390,220,757 | \$384,481,107 |
| Purpose                 |               |               |               |               |               |
| General                 | 5.66          | 4.66          | 4.66          | 4.66          | 5.16          |
| Fire                    | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Total                   | 5.66          | 4.66          | 4.66          | 4.66          | 5.16          |
| Face Value of Statement | \$1,917,390   | \$1,825,355   | \$1,843,306   | \$1,818,428   | \$1,983,923   |

The taxable assessed value shows a decrease from 1/1/2016 to 12/31/2016 of \$5,739,650, which represents a decrease of \$29,617 real estate taxes.

The taxable assessed value shows a decrease from 1/1/2015 to 12/31/2015 of \$5,356,300, which represents a decrease of \$24,960 real estate taxes.

The taxable assessed value shows an increase from 1/1/2014 to 12/31/2014 of \$395,559,307, which represents an increase of \$9,749 real estate taxes.

The decreases in assessed value over the last few years can be attributed to the number of assessment appeals that were filed and lower after the last tri-annual reassessment.

Based on 2016 information, approximately 84.42% of the real estate tax levy is paid at the 2% discount rate, another 7.31% paid at face; 3.25% paid at penalty; and another 5.02% in unpaid real estate tax.

Based on 2015 information, approximately 88.7% of the real estate tax levy is paid at the 2% discount rate, another 6.6% paid at face; .03% paid at penalty; and another 4.4% in unpaid real estate tax.

The Borough turned over a total of \$94,466 for 2014, \$77,764 for 2015, and \$94,967 for 2016 in tax levies to Keystone Municipal Collections, the Borough's Delinquent/Liened Real Estate Tax Collector.

By law, the delinquent accounts are to be turned over to the delinquent collector at year's end. It takes the current collector approximately one month to review the tax counterfoils and prepare the delinquent listing. By February 25, 2017 \$17,540 (face only) had been collected on the 2016 tax blottes. This represents 18.46% of the \$94,466 turned over to Keystone Collection Group, leaving an uncollected balance of \$77,426 for 2016.

The 2016 median value of a residential home within White Oak Borough is \$79,650.

The 2015 median value of a residential home within White Oak Borough was \$79,900.

The 2014 median value of a residential home within White Oak Borough was \$79,800. This value is listed on the Allegheny County Website – Municipal Map, Community Profile Page.

The 2016 median value of residential homes with the municipalities that encompass the McKeesport Area School District are as follows: City of McKeesport \$22,450, South Versailles Township \$42,200, Versailles Borough \$44,800, and Dravosburg Borough \$54,950.

Based on 2016 median value, property owners would pay the following in real estate taxes at face. The Borough tax levy remained the same from 2013 to 2016.

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK**

December 31, 2016

| Taxing Jurisdiction                             | 2014              | 2015              | 2016              |
|---|-------------------|-------------------|-------------------|
| County (14-4.73) (15-4.73) (16-4.73)            | \$377.45          | \$376.98          | \$376.74          |
| Borough (14-4.66) (15-4.66) (16-5.16)           | 371.76            | 371.40            | 410.99            |
| School District (14-15.7) (15-16.15) (16-16.74) | 1,252.86          | 1,287.16          | 1,333.34          |
| <b>TOTAL</b>                                    | <b>\$1,963.76</b> | <b>\$2,035.54</b> | <b>\$2,121.07</b> |

A summary of revenues and expenses (including transfers) for the major Proprietary Funds and a Budget to Actual Comparison from the General Fund is as follows:

**Proprietary Funds – Expenses vs. Revenues** - Page 11 of Report

**2016**

| Fund Name             | Expenses  | Revenues | +/- Expenses Over Revenues |
|-----------------------|-----------|----------|----------------------------|
| Swimming Pool         | \$189,732 | \$99,890 | +\$89,842                  |
| Solid Waste Disposal  | 598,486   | 728,014  | -129,528                   |
| Other Recreation Fund | 8,980     | 9,741    | -761                       |

**2015**

| Fund Name             | Expenses  | Revenues | +/- Expenses Over Revenues |
|-----------------------|-----------|----------|----------------------------|
| Swimming Pool         | \$185,562 | \$94,350 | +\$91,212                  |
| Solid Waste Disposal  | 575,435   | 768,476  | -193,041                   |
| Other Recreation Fund | 13,400    | 12,374   | +1,026                     |

As of December 31, 2016, the Pool/Park Fund contains a due to the General Fund. That amount is \$412,231 and is for payroll expenditures. It is suggested that the Borough consider writing off this balance, which represents five (5) years of unreimbursed payroll expenses.

There is also a net due to the General Fund from Solid Waste in the amount of \$84,974. It is suggested the Borough consider a motion to physically transfer this amount from Solid Waste to the General Fund.

**General Fund Comparison and Budgeted and Actual** - Page 7 of Report

The 2016 revenues were \$441,403 more than the adopted budget.

The 2016 actual expenditures were \$181,163 less than budgeted.

The 2015 revenues were \$566,126 more than the adopted budget.

The 2015 expenditures were \$23,871 more than the adopted budget.

The 2014 revenues were \$426,669 more than the adopted budget.

The 2014 actual expenditures were \$44,075 less than budgeted.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

It is suggested that in the future, if the financial status of the Borough is sound, officials consider placing any unused expense allocations for specific projects – parks, playgrounds, public works projects, and equipment purchases into the Capital Projects Fund for future purchases, upgrades, improvements, and or development.

## **Capital Assets** - Pages 31-32 of Report

The Borough's capital assets as of December 31, 2016, net of accumulated depreciation, amounted to \$7,035,657. The Borough's capital assets as of December 31, 2015, net of accumulated depreciation, amounted to \$6,344,577. Capital assets consist primarily of land, buildings, machinery and equipment, and infrastructure. Detailed information concerning capital assets can be found in Note 4 of the financial statements.

## **Capital Leases**

In 2016, the Borough did not enter into any new commercial capital leases.

## **Long-Term Debt** - Pages 33-34 of Report

In 2016, the Borough took on a line of credit for the Community Center construction, anticipated to be paid back through a DCNR grant noted above.

The Borough currently has no outstanding bond issues; therefore, the Borough has no bond rating at this time. The Borough finished paying on the one loan with a term of five (5) years or longer in 2016 and currently has not such loans outstanding.

At December 31, 2016, the Borough had \$215,922 in short-term principal debt.  
At December 31, 2015, the Borough had \$7,017 in short-term principal debt.

The total outstanding debt (loans and compensated absences), in the amount of \$460,475 as of December 31, 2016, represents a small per household burden of \$127.52 (3,611 occupied units, 2010 census). This also represents a small per capita burden of \$60.10 (7,663 in households – 2010 Census). Detailed information about the Borough's outstanding debt can be found in Note 6 of the financial statements. Note: 2010 Census indicates there are 3,888 housing units in the Borough, of which 277 are vacant.

The total outstanding debt (loans and compensated absences), in the amount of \$243,499 as of December 31, 2015, represents a small per household burden of \$67.43 (3,611 occupied units, 2010 census). This also represents a small per capita burden of \$31.77 (7,663 in households – 2010 Census). Detailed information about the Borough's outstanding debt can be found in Note 6 of the financial statements. Note: 2010 Census indicates there are 3,888 housing units in the Borough, of which 277 are vacant.

## *Rainbow V.F.C.*

Secured a 2.82% loan for \$100,000 through S & T Bank. This loan matures in January 2022. The purpose of the loan is to purchase a truck that would be able to access narrow cartways (public/private). The outstanding principal as of December 31, 2016 is \$54,444 with outstanding interest of \$4,059.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

*Both Fire Companies*

These loans for Rainbow V.F.C. and White Oak V.F.C. #1 (principal/interest) are paid for by the Borough through the Fire Fund Reserve and annual allocation. The Borough did not guarantee all of these loans; therefore, we are not required to list these on our debt statement.

**Fiduciary Funds** - page 15 of Report

Fiduciary funds encompass the Non-Uniformed Pension Plan, Uniformed Pension Plan, and the Retirement Trust Fund. The assets from these funds cannot be used by the Borough to finance any operations.

**Non-Uniformed Pension**

|   | 2015         | 2016         |
|---|--------------|--------------|
| Beginning Balance (Cash)  | \$1,973,299  | \$2,022,747  |
| REVENUES  |              |              |
| Interest Income   | 59,674       | 55,936       |
| Unrealized Gains/Losses   | -74,426      | 44,949       |
| Foreign Casualty Ins.   | 39,208       | 43,747       |
| MMO   | 56,803       | 58,479       |
| Employee Contributions  | 16,503       | 13,587       |
| Total Revenues  | \$97,762     | \$216,698    |
| EXPENDITURES  |              |              |
| Administration Fees (Principal & Mockenhaupt) and Investment Expenses | \$14,394     | \$11,688     |
| Pension Benefits – Monthly  | 33,866       | 33,866       |
| Pension – Refund Employee Contri                                      | 1,054        | 0            |
| Pension Benefits-Lump Sum   | 0            | 277,853      |
| Total Expenditures  | 48,314       | 323,407      |
| Ending Balance  | \$2,022,747  | \$1,916,038  |
| Net Fund Balance  | \$49,448     | \$-106,709   |
|   |              |              |
| MMO Requirement   | \$96,011     | \$102,226    |
|   |              |              |
| Per Unit Stock Value 1/1 Per Share                                    | \$33.7148659 | \$30.0530154 |
| Total All Shares 5,657.30 1/1   | \$190,792    | \$170,019    |
| Per Unit Stock Value 12/31  | \$30.0530154 | \$39.6064817 |
| Total All Shares 5,657.30 12/31                                       | \$170,019    | \$224,066    |
|   |              |              |
| Total Pension Liability   | \$2,375,369  | \$2,244,120  |
| Plan Fiduciary Net Position   | 2,022,747    | 1,915,218    |
| Net Pension Liability   | \$352,622    | \$328,902    |
| Net Position as Percentage of Total Liability                         | 85.2%        | 85.3%        |

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

Balance as of December 31, 2016 in General Investment was \$1,690,000, while the year-end balance in the value of the Principal Financial Group Stock Account was \$224,066.

Balance as of January 1, 2016 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$1,851,684. The value of the stock at the beginning of 2016 was \$170,019.

The annual interest income rate of return for 2016 was 3.24%, for general investments with a 31.79% increase in the value of the common stock.

Balance as of December 31, 2015 in General Investment was \$1,851,684, while the year-end balance in the value of the Principal Financial Group Stock Account was \$170,019.

Balance as of January 1, 2015 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$1,688,281. The value of the stock at the beginning of 2015 was \$190,791.

The annual interest income rate of return for 2015 was 3.53%, for general investments with a 10.89% decrease in the value of the common stock.

## Additional Notes:

The Non-Uniformed Pension Plan had an allocated balance of \$428,962 for retirees/non-retired participants at the beginning of 2016 and \$421,717 for retirees/non-retired participants at the end of 2016. The statement for this fund does not provide a breakdown of interest income earned between the allocated and unallocated balances. The non-allocated balance at the beginning of 2016 was \$1,382,159 and at the end of 2016 was \$1,243,306.

The Non-Uniformed Pension Plan had an allocated balance of \$360,174 for retirees/non-retired participants at the beginning of 2015 and \$428,962 for retirees/non-retired participants at the end of 2015. The statement for this fund does not provide a breakdown of interest income earned between the allocated and unallocated balances. The non-allocated balance at the beginning of 2015 was \$1,293,558 and at the end of 2015 was \$1,382,159.

The amount received from Foreign Fire Insurance was not at a level sufficient enough to cover the MMO \$102,226 for 2016. Therefore, the Borough was required to contribute \$58,479 under the MMO.

## **Uniformed Pension Plan**

|                          | 2015        | 2016        |
|--------------------------|-------------|-------------|
| Beginning Balance (Cash) | \$4,733,424 | \$4,872,628 |
| REVENUES                 |             |             |
| Interest Income          | 175,422     | 168,848     |
| Unrealized Gains/Losses  | -63,388     | 171,081     |
| Foreign Casualty Ins.    | 94,100      | 104,991     |

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

|   |              |              |
|---|--------------|--------------|
| MMO   | 99,442       | 95,786       |
| Employee Contributions                          | 50,558       | 48,175       |
| Total Revenues                                  | \$356,134    | \$588,881    |
| EXPENDITURES                                    |              |              |
| Administration Fees (Principal & Mockenhaupt)   | \$14,570     | \$19,718     |
| Pension Benefits                                | 202,360      | 195,515      |
| Total Expenditures                              | 216,930      | 215,233      |
| Ending Balance                                  | 4,872,628    | 5,246,276    |
| Net Fund Balance                                | \$139,204    | \$373,648    |
|   |              |              |
| MMO Requirement                                 | \$193,542    | \$200,777    |
| Per Unit Stock Value 1/1 Per Share              | \$33.7148659 | \$30.0530154 |
| Total All Shares 19,010.6 1/1                   | \$641,129    | \$571,325    |
| Per Unit Stock Value 12/31                      | \$30.0530154 | \$39.6064817 |
| Total All Shares 19,010.6 12/31                 | \$571,325    | \$752,943    |
|   |              |              |
| Total Pension Liability                         | \$6,087,176  | \$6,484,188  |
| Plan fiduciary Net Position                     | \$4,872,628  | \$5,246,600  |
| Net Pension Liability                           | \$1,214,548  | \$1,237,587  |
| Net Position as a Percentage of Total Liability | 80.0%        | 80.9%        |

Balance as of December 31, 2016 in General Investment was \$4,488,738, while the year-end balance in the value of the Principal Financial Group Stock Account was \$752,943.

Balance as of January 1, 2016 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$4,295,685. The remainder of the beginning balance of \$571,325 is the value of the stock at the beginning of 2016.

The annual interest income rate of return for 2016 was 3.37% for general investments, with a 31.79% increase in the value of the common stock.

Balance as of December 31, 2015 in General Investment was \$4,295,685, while the year-end balance in the value of the Principal Financial Group Stock Account was \$571,325.

Balance as of January 1, 2015 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$4,086,694. The remainder of the beginning balance of \$641,129 is the value of the stock at the beginning of 2015.

The annual interest income rate of return for 2015 was 3.65 for general investments, with a 10.89% decrease in the value of the common stock.



# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

## Additional Notes:

The Uniformed Pension Plan had an allocated balance of \$1,432,725 for retiree participants at the beginning of 2016 and at the end of 2016, the allocated balance for retiree participants is \$1,490,435. The statement for this fund does not provide a breakdown of interest income earned between the allocated and unallocated balances. The non-allocated balance at the beginning of 2016 was \$3,611,001 and, at the end of the year, the non-allocated balance was \$3,756,880

The amount received from Foreign Casualty Insurance was not at a level sufficient enough to cover the MMO (\$200,777) for 2016. Therefore, the Borough was required to contribute \$95,786 under the MMO.

The Uniformed Pension Plan had an allocated balance of \$1,484,026 for retiree participants at the beginning of 2015 and at the end of 2015, the allocated balance for retiree participants is \$1,432,725. The statement for this fund does not provide a breakdown of interest income earned between the allocated and unallocated balances. The non-allocated balance at the beginning of 2015 was \$3,357,125 and, at the end of the year, the non-allocated balance was \$3,611,001.

The amount received from Foreign Casualty Insurance was not at a level sufficient enough to cover the MMO (\$193,542) for 2015. Therefore, the Borough was required to contribute \$99,442 under the MMO.

## Retired Employee Benefit Fund

Funds are accumulated to assist in covering the future liabilities listed below:

### Non-Uniformed Employees (Union/Non-Union)

*\$2,000.00 Cash Benefit*

*\$5,000.00 Paid Up Life Insurance*

*\$5,000.00 Cash Benefit (CBA change 8/1/15)*

2017-1; 2022-1; 2023-1; 2024-1;

2026-1; 2029-1; 2052; 2025-1; 2026-1

An Actuarial Study, dated November 22, 2016, indicated the Borough will need to set aside \$343 for the next 30 years to cover the cost of the current non-union employees and \$9,516 for the public works employees.

(Actual Liabilities 01/01/2015 – Public Works \$178,119. Admin/Office \$6,360 – Annual Cost Public Works \$9,516; Admin Office \$343 – Total Annual Cost for all Non-Uniformed Employees is \$9,859)

A new CBA was awarded to Public Works in 2015. Contract Term is August 1, 2015 through July 31, 2018. In the agreement, employees who retire before becoming eligible for Medicare are entitled to medical/dental and vision coverage until eligible for Medicare. Cost of the premium is paid 100% by the Borough.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2016

Uniformed (Current Employees as of 1/1/2009)

Under the current agreement, the Borough is required to provide medical healthcare (includes dental/vision employee only) expenses as well as term-life coverage in the amount of \$8,000. Prior CBAs granted term-life benefits to officers that have since retired. The amount of coverage is \$5,000 for one (1) and \$8,000 for the other five (5) retirees. The recent arbitration award eliminated the post-retirement medical, RX, dental and vision for future hires (hired after 1/1/2009). The elimination of post-retirement benefits for future hires is saving the Borough approximately \$28,000 annually.

The Borough currently carries term life insurance at several levels of benefits for six (6) retired police officers. The premiums associated with the post retirement benefit are paid for out of the General Fund reducing the amount transferred to the Post-Retirement Benefit Fund.

(Actual Liabilities 01/01/2015 – Police – Medical/RX \$1,235,238; Dental/Vision \$51,172; Life Insurance \$43,103 – Annual Cost Medical/RX \$75,103; Dental Vision \$3,098; Life Insurance \$2,053 – Total Annual Cost for All Uniformed Retired/Current Employees is \$80,254)

The funds to cover these future liabilities for all retirees after December 31, 2008 are being set aside in a special fund to cover these expenses.

| *ARC – Annual Required Contribution                                       | 2015      | 2016      |
|---|-----------|-----------|
| Beginning Balance   |           |           |
| Checking  | \$633,067 | \$679,053 |
| Due from GF   |           |           |
| Total Beginning Balance   | 633,067   | 679,053   |
| ARC * Transfer  | 45,900    | 45,900    |
| Interest Income   | 86        | 814       |
| Total Revenues  | 45,986    | 46,714    |
| Expenditures  |           |           |
| \$2000 Cash Benefit Upon Retirement                                       |           |           |
| \$5,000 Cash Benefit Upon Retirement (8/1/15)                             |           |           |
| \$5000 Paid Up Policy Upon Retirement                                     |           |           |
| Medical Benefits (Hospitalization, Dental, Vision, Term Life)-PD          |           |           |
| Medical Benefits (Hospitalization, Dental, Vision, Term Life)-PW (8/1/15) |           |           |
| Transfer to GF – cover current year expenses                              |           |           |
| Administrative Expenses   | 0         | 3,150     |
| Total Expenditures  | 0         | 3,150     |
| Due to General Fund   |           |           |
| Total Expenditures & Liabilities  | 0         | 0         |
| Net Fund Balance  | \$679,053 | \$722,617 |

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

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December 31, 2016

## Deferred Compensation Plan – 457B - page 46 of Report

The Deferred Compensation Plan – 457B (Program) is offered to all full-time employees of the Borough and is administered through two separate companies. In 2006, the Borough assigned the plan exclusively to Lord Abbett. (Small (>\$50.) amount held by MetLife.

Citi-Group was removed as an authorized vendor under this program. The Program allows employees to withhold a specific dollar amount (minimum \$25.00 per month) from each paycheck that is then turned over to the private investment company and placed in various investment vehicles picked by the employee. This Program is similar in nature to a 401(k). Political sub-divisions are not permitted to sponsor 401(k) plans. Under the Program, the employer (Borough) can not make contributions to an employee's accounts which can be done under a 401(k). This program enables an employee to supplement his retirement benefit(s). The amount withheld is not taxed in the year it is withheld it is taxed when distributed to the employee. There is an amount still held by Citi-Group which is for a retired employee and one active employee. The major balance of the assets is held by Lord Abbett. The assets of these funds are not available to the Borough. As these assets are held in trust for employees/retirees, the Borough is not required to include the plan in its financial statements. As of December 31, 2016, current and retired employees have a combined assets value of \$375,829.

## Miscellaneous Notes

### CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Borough's finances and to demonstrate the Borough's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact: Borough of White Oak, 2280 Lincoln Way, White Oak, Pennsylvania, 15131.

John Palyo  
Borough Manager

# BOROUGH OF WHITE OAK

## STATEMENT OF NET POSITION

DECEMBER 31, 2016

|  | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|--|----------------------------|-----------------------------|---------------------|
| <b>Assets</b>  |                            |                             |                     |
| Cash and cash equivalents                                    | \$ 2,391,261               | \$ 508,280                  | \$ 2,899,541        |
| Receivables:   |                            |                             |                     |
| Taxes  | 517,864                    | -                           | 517,864             |
| Other, net of allowance for doubtful accounts<br>of \$65,035 | 15,247                     | 368,529                     | 383,776             |
| Internal balances  | 497,205                    | (497,205)                   | -                   |
| Net OPEB asset   | 21,566                     | -                           | 21,566              |
| Capital assets, not being depreciated                        | 1,778,409                  | 50,000                      | 1,828,409           |
| Capital assets, net of accumulated depreciation              | 4,938,288                  | 268,960                     | 5,207,248           |
| <b>Total Assets</b>  | <b>10,159,840</b>          | <b>698,564</b>              | <b>10,858,404</b>   |
| <b>Deferred Outflows of Resources</b>                        |                            |                             |                     |
| Deferred outflows of resources for pension                   | 306,800                    | -                           | 306,800             |
| <b>Liabilities</b>   |                            |                             |                     |
| Liabilities:   |                            |                             |                     |
| Accounts payable   | 89,028                     | 50,391                      | 139,419             |
| Accrued liabilities  | 71,609                     | -                           | 71,609              |
| Due to fiduciary funds                                       | 42,750                     | -                           | 42,750              |
| Non-current liabilities:                                     |                            |                             |                     |
| Due in more than one year                                    | 460,475                    | -                           | 460,475             |
| Net pension liability  | 1,566,490                  | -                           | 1,566,490           |
| <b>Total Liabilities</b>                                     | <b>2,230,352</b>           | <b>50,391</b>               | <b>2,280,743</b>    |
| <b>Deferred Inflows of Resources</b>                         |                            |                             |                     |
| Deferred inflows of resources for pension                    | 109,121                    | -                           | 109,121             |
| <b>Net Position</b>  |                            |                             |                     |
| Net investment in capital assets                             | 6,716,697                  | 318,960                     | 7,035,657           |
| Restricted for:  |                            |                             |                     |
| Liquid fuels   | 88,966                     | -                           | 88,966              |
| OPEB   | 21,566                     | -                           | 21,566              |
| Unrestricted   | 1,299,938                  | 329,213                     | 1,629,151           |
| <b>Total Net Position</b>                                    | <b>\$ 8,127,167</b>        | <b>\$ 648,173</b>           | <b>\$ 8,775,340</b> |

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

# BOROUGH OF WHITE OAK

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

| Functions/Programs   | Program Revenues    |                      |                                    |                                  | Net (Expense) Revenue and Change in Net Position |                          |                    |
|--|---------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|--------------------|
|  | Expenses            | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                          | Business-Type Activities | Total              |
| Primary Government:  |                     |                      |                                    |                                  |  |                          |                    |
| Governmental activities:   |                     |                      |                                    |                                  |  |                          |                    |
| General government   | \$ 709,272          | \$ 132,018           | \$ 125,106                         | \$ -                             | \$ (452,148)                                     | \$ -                     | \$ (452,148)       |
| Public safety  | 2,553,008           | 52,197               | 146,544                            | -                                | (2,354,267)                                      | -                        | (2,354,267)        |
| Public works   | 783,778             | 4,788                | 243,160                            | -                                | (535,830)  | -                        | (535,830)          |
| Culture and recreation   | 99,426              | 350                  | 10,396                             | -                                | (88,680)   | -                        | (88,680)           |
| Interest on long-term debt   | 1,833               | -                    | -                                  | -                                | (1,833)  | -                        | (1,833)            |
| Total governmental activities                                      | 4,147,317           | 189,353              | 525,206                            | -                                | (3,432,758)                                      | -                        | (3,432,758)        |
| Business-type activities:  |                     |                      |                                    |                                  |  |                          |                    |
| Solid waste services   | 598,486             | 724,782              | 3,232                              | -                                | -  | 129,528                  | 129,528            |
| Recreation   | -                   | -                    | -                                  | -                                | -  | -                        | -                  |
| Heritage Hill Park   | 189,732             | 99,890               | -                                  | -                                | -  | (89,842)                 | (89,842)           |
| Total business-type activities                                     | 788,218             | 824,672              | 3,232                              | -                                | -  | 39,686                   | 39,686             |
| <b>Total Primary Government</b>                                    | <b>\$ 4,935,535</b> | <b>\$ 1,014,025</b>  | <b>\$ 528,438</b>                  | <b>\$ -</b>                      | <b>(3,432,758)</b>                               | <b>39,686</b>            | <b>(3,393,072)</b> |
| General revenues:  |                     |                      |                                    |                                  |  |                          |                    |
| Taxes:   |                     |                      |                                    |                                  |  |                          |                    |
| Property taxes, levied for general purposes, net of uncollectibles |                     |                      |                                    |                                  | 1,900,189  | -                        | 1,900,189          |
| Earned income tax  |                     |                      |                                    |                                  | 922,800  | -                        | 922,800            |
| Business privilege tax   |                     |                      |                                    |                                  | 269,711  | -                        | 269,711            |
| RAD sales tax  |                     |                      |                                    |                                  | 214,383  | -                        | 214,383            |
| Other taxes levied for general purposes                            |                     |                      |                                    |                                  | 144,844  | -                        | 144,844            |
| Investment earnings  |                     |                      |                                    |                                  | 1,540  | -                        | 1,540              |
| Franchise fees   |                     |                      |                                    |                                  | 168,231  | -                        | 168,231            |
| Gain (disposal) on sale/transfer of fixed assets                   |                     |                      |                                    |                                  | 1,000  | -                        | 1,000              |
| Transfers  |                     |                      |                                    |                                  | 1,669  | (1,669)                  | -                  |
| Total general revenues and transfers                               |                     |                      |                                    |                                  | 3,624,367  | (1,669)                  | 3,622,698          |
| <b>Change in Net Position</b>                                      |                     |                      |                                    |                                  | 191,609  | 38,017                   | 229,626            |
| <b>Net Position:</b>   |                     |                      |                                    |                                  |  |                          |                    |
| Beginning of year  |                     |                      |                                    |                                  | 7,935,558  | 610,156                  | 8,545,714          |
| End of year  |                     |                      |                                    |                                  | \$ 8,127,167                                     | \$ 648,173               | \$ 8,775,340       |

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

# BOROUGH OF WHITE OAK

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2016

|   | General<br>Fund     | Liquid<br>Fuels<br>Fund | Capital<br>Projects<br>Fund | Total               |
|---|---------------------|-------------------------|-----------------------------|---------------------|
| <b>Assets</b>   |                     |                         |                             |                     |
| Cash and cash equivalents   | \$ 1,932,744        | \$ 183,814              | \$ 274,703                  | \$ 2,391,261        |
| Receivables (net, where applicable,<br>of allowance for uncollectibles):      |                     |                         |                             |                     |
| Taxes   | 517,864             | -                       | -                           | 517,864             |
| Other   | 15,247              | -                       | -                           | 15,247              |
| Due from other funds  | 834,540             | -                       | 200                         | 834,740             |
| <b>Total Assets</b>   | <b>\$ 3,300,395</b> | <b>\$ 183,814</b>       | <b>\$ 274,903</b>           | <b>\$ 3,759,112</b> |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>           |                     |                         |                             |                     |
| <b>Liabilities:</b>   |                     |                         |                             |                     |
| Accounts payable  | \$ 51,999           | \$ 36,425               | \$ 604                      | \$ 89,028           |
| Accrued liabilities   | 71,609              | -                       | -                           | 71,609              |
| Due to other funds  | 105,274             | 58,423                  | 216,588                     | 380,285             |
| Total Liabilities   | 228,882             | 94,848                  | 217,192                     | 540,922             |
| <b>Deferred Inflows of Resources:</b>   |                     |                         |                             |                     |
| Unavailable revenue - taxes   | 368,334             | -                       | -                           | 368,334             |
| <b>Fund Balance:</b>  |                     |                         |                             |                     |
| Restricted:   |                     |                         |                             |                     |
| Liquid fuels  | -                   | 88,966                  | -                           | 88,966              |
| Assigned:   |                     |                         |                             |                     |
| Fire protection   | 102,575             | -                       | -                           | 102,575             |
| Capital projects  | -                   | -                       | 57,711                      | 57,711              |
| Unassigned  | 2,600,604           | -                       | -                           | 2,600,604           |
| Total Fund Balance  | 2,703,179           | 88,966                  | 57,711                      | 2,849,856           |
| <b>Total Liabilities, Deferred Inflows of Resources,<br/>and Fund Balance</b> | <b>\$ 3,300,395</b> | <b>\$ 183,814</b>       | <b>\$ 274,903</b>           | <b>\$ 3,759,112</b> |

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

# BOROUGH OF WHITE OAK

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

DECEMBER 31, 2016

**Total Fund Balance - Governmental Funds** \$ 2,849,856

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$10,783,883 and the accumulated depreciation is \$4,067,186. 6,716,697

Property taxes and earned income taxes receivable generally will be collected next year, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 368,334

The actuarially accrued net pension liability and deferred outflows and inflows of resources for pensions are not recorded on the fund financial statements. (1,368,811)

The net OPEB asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds. 21,566

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

|                         |              |                  |
|-------------------------|--------------|------------------|
| Notes and loans payable | \$ (215,922) |                  |
| Compensated absences    | (244,553)    | (460,475)        |
|                         |              | <u>(460,475)</u> |

**Total Net Position - Governmental Activities** \$ 8,127,167

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

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2016

|  | General<br>Fund | Liquid<br>Fuels<br>Fund | Capital<br>Projects<br>Fund | Total        |
|--|-----------------|-------------------------|-----------------------------|--------------|
| <b>Revenues:</b>   |                 |                         |                             |              |
| Taxes  | \$ 3,426,476    | \$ -                    | \$ -                        | \$ 3,426,476 |
| Licenses and permits                                     | 204,285         | -                       | -                           | 204,285      |
| Fines and forfeits                                       | 21,694          | -                       | -                           | 21,694       |
| Intergovernmental  | 198,009         | 243,160                 | -                           | 441,169      |
| Charges for services                                     | 138,336         | -                       | -                           | 138,336      |
| Interest, rents, and royalties                           | 1,271           | 102                     | 166                         | 1,539        |
| Loan receipts  | -               | -                       | -                           | -            |
| Miscellaneous  | 77,301          | 5                       | 1                           | 77,307       |
| Total revenues   | 4,067,372       | 243,267                 | 167                         | 4,310,806    |
| <b>Expenditures:</b>                                     |                 |                         |                             |              |
| Current:   |                 |                         |                             |              |
| General government                                       | 496,918         | -                       | -                           | 496,918      |
| Public safety  | 2,227,019       | -                       | -                           | 2,227,019    |
| Public works   | 602,170         | 208,048                 | -                           | 810,218      |
| Culture and recreation                                   | 99,426          | -                       | -                           | 99,426       |
| Miscellaneous  | 197,318         | -                       | 140                         | 197,458      |
| Capital outlay   | -               | -                       | 885,050                     | 885,050      |
| Debt service:  |                 |                         |                             |              |
| Principal  | 7,017           | -                       | -                           | 7,017        |
| Interest   | -               | -                       | 1,833                       | 1,833        |
| Total expenditures                                       | 3,629,868       | 208,048                 | 887,023                     | 4,724,939    |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | 437,504         | 35,219                  | (886,856)                   | (414,133)    |
| <b>Other Financing Sources (Uses):</b>                   |                 |                         |                             |              |
| Sale of capital assets                                   | 1,000           | -                       | -                           | 1,000        |
| Proceeds from issuance of debt                           | -               | -                       | 215,922                     | 215,922      |
| Transfers in   | 1,669           | -                       | -                           | 1,669        |
| Total other financing sources (uses)                     | 2,669           | -                       | 215,922                     | 1,669        |
| <b>Net Change in Fund Balance</b>                        | 440,173         | 35,219                  | (670,934)                   | (195,542)    |
| <b>Fund Balance:</b>                                     |                 |                         |                             |              |
| Beginning of year  | 2,263,006       | 53,747                  | 728,645                     | 3,045,398    |
| End of year  | \$ 2,703,179    | \$ 88,966               | \$ 57,711                   | \$ 2,849,856 |

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



# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2016

|  |                  |                          |
|--|------------------|--------------------------|
| <b>Net Change in Fund Balance - Governmental Funds</b>   |                  | <b>\$ (195,542)</b>      |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p>  |                  |                          |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:</p>  |                  |                          |
| Capital outlays, net of deletions  | \$ 1,005,796     |                          |
| Less: depreciation expense, net of deletions   | <u>(280,097)</u> | 725,699                  |
| <p>Some taxes will not be collected until after the Borough's year-end; they are not considered "available" revenues in the governmental funds. Unavailable revenues increased by this amount during the year.</p>   |                  |                          |
|  |                  | 25,451                   |
| <p>The repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. This transaction, however, has no effect on net position. This is the amount of principal repaid on long-term obligations during the year.</p>  |                  |                          |
|  |                  | 7,017                    |
| <p>The receipt of principal of long-term obligations increases the current financial resources of governmental funds. This transaction, however, has no effect on net assets. This is the amount of principal that was issued during the year.</p>   |                  |                          |
|  |                  | (215,922)                |
| <p>Changes in the net pension liability and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements.</p>   |                  |                          |
|  |                  | (100,759)                |
| <p>Governmental funds do not report the net OPEB assets, as they are not considered a financial resource. The net OPEB asset was decreased by this amount during the year.</p>   |                  |                          |
|  |                  | (46,264)                 |
| <p>In the statement of activities, certain operating expenses for accumulated employee benefits such as vacations and sick days are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.</p> |                  |                          |
|  |                  | <u>(8,071)</u>           |
| <b>Change in Net Position of Governmental Activities</b>   |                  | <u><u>\$ 191,609</u></u> |

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

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2016

|  | Budget       | Actual<br>(Budgetary Basis) | Variance with<br>Budget |
|--|--------------|-----------------------------|-------------------------|
| <b>Revenues:</b>   |              |                             |                         |
| Taxes  | \$ 3,176,441 | \$ 3,405,904                | \$ 229,463              |
| Licenses and permits   | 151,600      | 204,285                     | 52,685                  |
| Fines and forfeits   | 16,000       | 21,694                      | 5,694                   |
| Intergovernmental  | 178,577      | 198,009                     | 19,432                  |
| Charges for services   | 31,710       | 124,717                     | 93,007                  |
| Interest, rents, and royalties                               | 950          | 1,271                       | 321                     |
| Miscellaneous  | 36,500       | 77,301                      | 40,801                  |
| Total revenues   | 3,591,778    | 4,033,181                   | 441,403                 |
| <b>Expenditures:</b>   |              |                             |                         |
| Current:   |              |                             |                         |
| General government   | 536,277      | 447,788                     | 88,489                  |
| Public safety  | 2,200,103    | 2,229,559                   | (29,456)                |
| Public works   | 730,094      | 602,170                     | 127,924                 |
| Culture and recreation                                       | 72,890       | 99,426                      | (26,536)                |
| Conservation and development                                 | 1,500        | -                           | 1,500                   |
| Miscellaneous  | 213,800      | 197,318                     | 16,482                  |
| Debt service:  |              |                             |                         |
| Principal  | 7,527        | 7,017                       | 510                     |
| Interest   | 2,250        | -                           | 2,250                   |
| Total expenditures   | 3,764,441    | 3,583,278                   | 181,163                 |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | (172,663)    | 449,903                     | 622,566                 |
| <b>Other Financing Sources (Uses):</b>                       |              |                             |                         |
| Sale of capital assets                                       | -            | 1,000                       | 1,000                   |
| Transfers in   | 56,000       | (366,270)                   | (422,270)               |
| Transfers out  | (21,000)     | 46,100                      | 67,100                  |
| Total other financing sources (uses)                         | 35,000       | (319,170)                   | (354,170)               |
| <b>Net Change in Fund Balance</b>                            | (137,663)    | 130,733                     | \$ 268,396              |
| <b>Cash Balance:</b>   |              |                             |                         |
| Beginning of year  | 933,814      | 1,802,011                   |                         |
| End of year  | \$ 796,151   | \$ 1,932,744                |                         |

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

# BOROUGH OF WHITE OAK

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LIQUID FUELS FUND - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2016

|  | Budget<br>Original/Final | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget |
|--|--------------------------|-----------------------------|-------------------------------|
| <b>Revenues:</b>   |                          |                             |                               |
| Intergovernmental  | \$ 236,000               | \$ 243,160                  | \$ 7,160                      |
| Interest, rent, and royalties                                | -                        | 102                         | 102                           |
| Miscellaneous  | -                        | 5                           | 5                             |
| Total revenues   | <u>236,000</u>           | <u>243,267</u>              | <u>7,267</u>                  |
| <b>Expenditures:</b>   |                          |                             |                               |
| Current:   |                          |                             |                               |
| Public works   | <u>203,000</u>           | <u>163,563</u>              | <u>39,437</u>                 |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>33,000</u>            | <u>79,704</u>               | <u>46,704</u>                 |
| <b>Net Change in Fund Balance</b>                            | <u>33,000</u>            | <u>79,704</u>               | <u>\$ 46,704</u>              |
| <b>Cash Balance:</b>   |                          |                             |                               |
| Beginning of year  | <u>636,437</u>           | <u>104,110</u>              |                               |
| End of year  | <u>\$ 669,437</u>        | <u>\$ 183,814</u>           |                               |

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

# BOROUGH OF WHITE OAK

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL PROJECTS FUND - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2016

|  | Budget     | Actual<br>(Budgetary Basis) | Variance with<br>Budget |
|--|------------|-----------------------------|-------------------------|
| <b>Revenues:</b>   |            |                             |                         |
| Interest, rent, and royalties                                | \$ 60      | \$ 166                      | \$ 106                  |
| Miscellaneous  | -          | 1                           | 1                       |
| Capital grants   | 650,000    | -                           | (650,000)               |
| Total revenues   | 650,060    | 167                         | (649,893)               |
| <b>Expenditures:</b>   |            |                             |                         |
| Current:   |            |                             |                         |
| Public works   | 288,000    | -                           | 288,000                 |
| Miscellaneous  | -          | 140                         | (140)                   |
| Capital outlay   | 348,000    | 713,560                     | (365,560)               |
| Interest expense   | 10,000     | 1,833                       | 8,167                   |
| Total expenditures   | 646,000    | 715,533                     | (69,533)                |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | 4,060      | (715,366)                   | (719,426)               |
| <b>Other Financing (Sources) Uses:</b>                       |            |                             |                         |
| Transfers in   | (304,401)  | -                           | 304,401                 |
| Loan receipts  | (600,000)  | (215,922)                   | 384,078                 |
| Loan repayment   | 600,000    | -                           | 600,000                 |
| Total other financing sources (uses)                         | (304,401)  | (215,922)                   | 1,288,479               |
| <b>Net Change in Fund Balance</b>                            | (300,341)  | (499,444)                   | \$ (199,103)            |
| <b>Cash Balance:</b>   |            |                             |                         |
| Beginning of year  | 728,645    | 774,147                     |                         |
| End of year  | \$ 428,304 | \$ 274,703                  |                         |

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

# BOROUGH OF WHITE OAK

## STATEMENT OF NET POSITION PROPRIETARY FUND

DECEMBER 31, 2016

| Assets   | Business-Type Activities - Enterprise Funds |                              |                    |             |
|--|---|------------------------------|--------------------|-------------|
|  | Major Funds                                 |                              |                    | Total       |
|  | Swimming<br>Pool Fund                       | Solid Waste<br>Disposal Fund | Recreation<br>Fund |             |
| Current assets:  |   |                              |                    |             |
| Cash and cash equivalents                                    | \$ 138,088                                  | \$ 370,192                   | \$ -               | \$ 508,280  |
| Receivables:   |   |                              |                    |             |
| Other, net of allowance for<br>doubtful accounts of \$65,035 | -   | 368,529                      | -                  | 368,529     |
| Due from other funds   | -   | 59,174                       | -                  | 59,174      |
| <b>Total current assets</b>                                  | 138,088                                     | 797,895                      | -                  | 935,983     |
| Non-current assets:  |   |                              |                    |             |
| Capital assets   | 1,252,401                                   | 120,045                      | -                  | 1,372,446   |
| Less accumulated depreciation                                | (945,531)                                   | (107,955)                    | -                  | (1,053,486) |
| <b>Total non-current assets</b>                              | 306,870                                     | 12,090                       | -                  | 318,960     |
| <b>Total Assets</b>  | 444,958                                     | 809,985                      | -                  | 1,254,943   |
| <b>Liabilities</b>   |   |                              |                    |             |
| Liabilities:   |   |                              |                    |             |
| Accounts payable and other current liabilities               | 2,288                                       | 48,103                       | -                  | 50,391      |
| Due to other funds   | 412,231                                     | 144,148                      | -                  | 556,379     |
| <b>Total Liabilities</b>                                     | 414,519                                     | 192,251                      | -                  | 606,770     |
| <b>Net Position</b>  |   |                              |                    |             |
| Net investment in capital assets                             | 306,870                                     | 12,090                       | -                  | 318,960     |
| Unrestricted   | (276,431)                                   | 605,644                      | -                  | 329,213     |
| <b>Total Net Position</b>                                    | \$ 30,439                                   | \$ 617,734                   | \$ -               | \$ 648,173  |

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

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2016

|  | Business-Type Activities - Enterprise Funds |                              |                    |            |
|--|---|------------------------------|--------------------|------------|
|  | Major Funds                                 |                              |                    | Total      |
|  | Swimming<br>Pool Fund                       | Solid Waste<br>Disposal Fund | Recreation<br>Fund |            |
| <b>Operating Revenues:</b>               |   |                              |                    |            |
| Charges for services                     | \$ 93,795                                   | \$ 724,782                   | \$ -               | \$ 818,577 |
| Other operating revenue                  | 6,095                                       | 3,232                        | -                  | 9,327      |
| Total operating revenues                 | 99,890                                      | 728,014                      | -                  | 827,904    |
| <b>Operating Expenses:</b>               |   |                              |                    |            |
| Employee services                        | 70,056                                      | -                            | -                  | 70,056     |
| Employee benefits and taxes              | 9,356                                       | -                            | -                  | 9,356      |
| Purchase of services                     | -   | 596,858                      | -                  | 596,858    |
| Operating material and supplies          | 37,539                                      | -                            | -                  | 37,539     |
| Administrative expenses                  | 39,082                                      | -                            | -                  | 39,082     |
| Insurance                                | 516   | -                            | -                  | 516        |
| Depreciation and amortization            | 33,183                                      | 1,436                        | -                  | 34,619     |
| Total operating expenses                 | 189,732                                     | 598,294                      | -                  | 788,026    |
| Net Operating Gain (Loss)                | (89,842)                                    | 129,720                      | -                  | 39,878     |
| <b>Nonoperating Revenues (Expenses):</b> |   |                              |                    |            |
| Transfers out                            | -   | -                            | (1,669)            | (1,669)    |
| Refund of prior year fees                | -   | (192)                        | -                  | (192)      |
| Total nonoperating revenues (expenses)   | -   | (192)                        | (1,669)            | (1,861)    |
| Change in Net Position                   | (89,842)                                    | 129,528                      | (1,669)            | 38,017     |
| <b>Net Position:</b>                     |   |                              |                    |            |
| Beginning of year                        | 120,281                                     | 488,206                      | 1,669              | 610,156    |
| End of year                              | \$ 30,439                                   | \$ 617,734                   | \$ -               | \$ 648,173 |

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

# BOROUGH OF WHITE OAK

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2016

|   | Swimming<br>Pool Fund | Solid Waste<br>Disposal Fund | Recreation<br>Fund | Total      |
|---|-----------------------|------------------------------|--------------------|------------|
| <b>Cash Flows From Operating Activities:</b>                |                       |                              |                    |            |
| Receipts from customers                                     | \$ 97,959             | \$ 663,697                   | \$ -               | \$ 761,656 |
| Receipt of other revenues                                   | 1,931                 | -                            | -                  | 1,931      |
| Other receipts  | 78,966                | -                            | -                  | 78,966     |
| Payments to employees                                       | (79,412)              | -                            | -                  | (79,412)   |
| Payments to suppliers                                       | (74,891)              | (528,861)                    | -                  | (603,752)  |
| Net cash provided by (used in) operating activities         | 24,553                | 134,836                      | -                  | 159,389    |
| <b>Cash Flows From Non-Capital Financing Activities:</b>    |                       |                              |                    |            |
| Interfund transfers   | -                     | -                            | (1,669)            | (1,669)    |
| <b>Cash Flows From Investing Activities:</b>                |                       |                              |                    |            |
| Transfer of investments                                     | -                     | -                            | -                  | -          |
| Miscellaneous   | -                     | (192)                        | -                  | (192)      |
| Net cash provided by (used in) investing activities         | -                     | (192)                        | -                  | (192)      |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | 24,553                | 134,644                      | (1,669)            | 157,528    |
| <b>Cash and Cash Equivalents:</b>                           |                       |                              |                    |            |
| Beginning of year   | 113,535               | 235,548                      | 1,669              | 350,752    |
| End of year   | \$ 138,088            | \$ 370,192                   | \$ -               | \$ 508,280 |

(Continued)

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

# BOROUGH OF WHITE OAK

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

(Continued)

YEAR ENDED DECEMBER 31, 2016

|  | Swimming<br>Pool Fund | Solid Waste<br>Disposal Fund | Recreation<br>Fund | Total      |
|--|-----------------------|------------------------------|--------------------|------------|
| <b>Reconciliation of Net Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities:</b> |                       |                              |                    |            |
| Net operating gain (loss)  | \$ (89,842)           | \$ 129,720                   | \$ -               | \$ 39,878  |
| Adjustments to reconcile net operating gain (loss) to net cash provided by (used in) operating activities: |                       |                              |                    |            |
| Depreciation and amortization  | 33,183                | 1,436                        | -                  | 34,619     |
| Change in assets and liabilities:  |                       |                              |                    |            |
| Due to other funds   | 78,966                | 60,975                       | -                  | 139,941    |
| Other receivables  | -                     | (64,317)                     | -                  | (64,317)   |
| Accounts payable   | 2,246                 | 7,022                        | -                  | 9,268      |
| Total adjustments  | 114,395               | 5,116                        | -                  | 119,511    |
| Net cash provided by (used in) operating activities  | \$ 24,553             | \$ 134,836                   | \$ -               | \$ 159,389 |

(Concluded)

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



# BOROUGH OF WHITE OAK

## COMBINED STATEMENT OF PLAN NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2016

| <b>Assets</b>                      | Non-Uniformed<br>Pension<br>Fund | Police<br>Pension<br>Fund | Retired<br>Employee<br>Benefit Fund | Total        |
|------------------------------------|----------------------------------|---------------------------|-------------------------------------|--------------|
| Other assets                       | \$ 78                            | \$ 7,047                  | \$ -                                | \$ 7,125     |
| Investments (at fair value):       |                                  |                           |                                     |              |
| Cash and cash equivalents          | -                                | -                         | 679,867                             | 679,867      |
| Pooled separate account            | 224,066                          | 752,943                   | -                                   | 977,009      |
| Guaranteed interest account        | 1,690,000                        | 4,488,738                 | -                                   | 6,178,738    |
| Total investments                  | 1,914,066                        | 5,241,681                 | 679,867                             | 7,835,614    |
| Due from other fund                | 2,128                            | -                         | 45,900                              | 48,028       |
| <b>Total Assets</b>                | 1,916,272                        | 5,248,728                 | 725,767                             | 7,890,767    |
| <b>Liabilities</b>                 |                                  |                           |                                     |              |
| Refund of member contributions     | 1,054                            | -                         | -                                   | 1,054        |
| Due to other fund                  | -                                | 2,128                     | 3,150                               | 5,278        |
| <b>Total Liabilities</b>           | 1,054                            | 2,128                     | 3,150                               | 6,332        |
| <b>Net Position Restricted For</b> |                                  |                           |                                     |              |
| Pension benefits                   | \$ 1,915,218                     | \$ 5,246,600              | \$ 722,617                          | \$ 7,884,435 |

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

# BOROUGH OF WHITE OAK

## COMBINED STATEMENT OF CHANGES IN PLAN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2016

|   | Non-Uniformed<br>Pension<br>Fund | Police<br>Pension<br>Fund | Retired<br>Employee<br>Benefit Fund | Total               |
|---|----------------------------------|---------------------------|-------------------------------------|---------------------|
| <u>Additions:</u>                             |                                  |                           |                                     |                     |
| Contributions:                                |                                  |                           |                                     |                     |
| Commonwealth                                  | \$ 43,747                        | \$ 104,991                | \$ -                                | \$ 148,738          |
| Employer                                      | 58,479                           | 95,786                    | 45,900                              | 200,165             |
| Employee                                      | 13,587                           | 48,175                    | -                                   | 61,762              |
| Total contributions                           | <u>115,813</u>                   | <u>248,952</u>            | <u>45,900</u>                       | <u>410,665</u>      |
| Investment income (loss):                     |                                  |                           |                                     |                     |
| Net appreciation in fair value of investments | 44,949                           | 171,081                   | -                                   | 216,030             |
| Interest and dividends                        | 55,936                           | 168,848                   | 814                                 | 225,598             |
| Total investment income (loss)                | <u>100,885</u>                   | <u>339,929</u>            | <u>814</u>                          | <u>441,628</u>      |
| Total additions                               | <u>216,698</u>                   | <u>588,881</u>            | <u>46,714</u>                       | <u>852,293</u>      |
| <u>Deductions:</u>                            |                                  |                           |                                     |                     |
| Benefits                                      | 311,719                          | 195,515                   | -                                   | 507,234             |
| Investment expense                            | 9,011                            | 12,880                    | -                                   | 21,891              |
| Administrative expense                        | 3,497                            | 6,514                     | 3,150                               | 13,161              |
| Total deductions                              | <u>324,227</u>                   | <u>214,909</u>            | <u>3,150</u>                        | <u>542,286</u>      |
| Net Increase (Decrease) in Plan Net Position  | (107,529)                        | 373,972                   | 43,564                              | 310,007             |
| <u>Net Position:</u>                          |                                  |                           |                                     |                     |
| Beginning of year                             | <u>2,022,747</u>                 | <u>4,872,628</u>          | <u>679,053</u>                      | <u>7,574,428</u>    |
| End of year                                   | <u>\$ 1,915,218</u>              | <u>\$ 5,246,600</u>       | <u>\$ 722,617</u>                   | <u>\$ 7,884,435</u> |

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

# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2016

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Reporting Entity

The Borough of White Oak (Borough), Pennsylvania operates under the Pennsylvania Borough Code, with an elected mayor and seven elected Council members. The Borough provides services in many areas to its residents, including various general government services, public safety, highway maintenance, sewer, and recreation.

#### 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. 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.

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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Major revenues that are susceptible to accrual in governmental funds are grants from other governments and interest on investments. The Borough does not consider revenues from taxes, fines, forfeits, and penalties to be available until received.

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

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.

The Borough uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types" as follows:

The Borough reports the following major governmental funds:

### General Fund

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.

### Capital Projects Fund

Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Borough reports the following other governmental fund:

### Liquid Fuels Fund

The Liquid Fuels Fund is a special revenue fund (fund that accounts for the proceeds of a specific revenue source restricted or committed for specified purposes) of the Borough. The Liquid Fuels Fund accounts for state aid restricted for roads.

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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The Borough reports the following major proprietary funds:

### Swimming Pool Fund

The Swimming Pool Fund accounts for the activities of the Borough's swimming pool.

### Solid Waste Disposal Fund

The Solid Waste Disposal Fund is used to account for the operations of the refuse and collection recycling programs within the Borough.

The Borough also reports the following other proprietary fund:

### Recreation Fund

The Recreation Fund is used to account for the operations of the Recreation Board. The Recreation Board is responsible for many of the public recreational activities within the Borough. This Fund was incorporate into the General Fund in 2016.

The Borough has the following fiduciary funds:

### Fiduciary Funds

The Non-Uniformed Pension Fund and the Police Pension Fund were established to account for assets held by the Borough in a trustee capacity for the Non-Uniformed and Police Pension Plans. The Retirement Trust Fund is used to account for the accumulation of resources for a \$5,000 retirement benefit to qualified public works employees. It is used to account for the accumulation of resources for a \$5,000 life insurance benefit for qualified employees other than police, public works, and sewer systems. In addition, it is used to account for funds set aside to cover future OPEB benefits for the police employees.

### Cash and Investments

The Borough's cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date of three months or less when purchased by the Borough.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Investments are stated at fair value including the investments in the pension trust funds.

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

### Budgets and Budgetary Accounting

In September of each year, the Borough's Secretary develops a budget. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and expected appropriations for the next fiscal year.

Before November 30, the proposed budget is presented to the Borough's Council for review. The Borough's Council holds public hearings and may add to, subtract from, for change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Borough's Secretary or the revenue estimates must be changed by an affirmative vote of a majority of the Borough's Council.

Expenditures may not legally exceed budgeted appropriations at the function level.

In accordance with the Borough Code, beginning at least thirty days prior to the adoption of the budget, which shall not be later than December 31, a proposed budget for the ensuing year shall be prepared in a manner designated by the Borough Council. The proposed budget shall be kept on file with the Borough's secretary/treasurer and made available for public inspection for a period of ten days. Notice that the proposed budget is available for public inspection is published by the Borough's secretary/treasurer in a newspaper of general circulation. After the expiration of the said ten days, Borough Council shall make such revisions in the budget as shall be deemed advisable and shall adopt the budget by motion. Details of the budget at the account level of control are kept in the Borough office and are available for public inspection.

For 2016, the Borough budgeted all of its funds. The budgets were prepared on the cash basis. The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the General Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2016:

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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|  |            |
|--|------------|
| Excess of revenues and other financing sources<br>over expenditures and other financing uses (budgetary basis) | \$ 130,733 |
|--|------------|

Adjustments:

|   |                 |
|---|-----------------|
| To adjust revenues and other financing sources to the modified accrual basis  | 402,130         |
| To adjust expenditures and other financing uses to the modified accrual basis | <u>(92,690)</u> |

|   |                   |
|---|-------------------|
| Excess of revenues and other financing sources over<br>expenditures and other financing uses (GAAP basis) | <u>\$ 440,173</u> |
|---|-------------------|

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Liquid Fuels Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2016:

|  |           |
|--|-----------|
| Excess of revenues and other financing sources<br>over expenditures and other financing uses (budgetary basis) | \$ 79,704 |
|--|-----------|

Adjustments:

|   |                 |
|---|-----------------|
| To adjust revenues and other financing sources to the modified accrual basis  | -               |
| To adjust expenditures and other financing uses to the modified accrual basis | <u>(44,485)</u> |

|   |                  |
|---|------------------|
| Excess of revenues and other financing sources over<br>expenditures and other financing uses (GAAP basis) | <u>\$ 35,219</u> |
|---|------------------|

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Capital Projects Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2016:

|  |              |
|--|--------------|
| Excess of revenues and other financing sources<br>over expenditures and other financing uses (budgetary basis) | \$ (499,444) |
|--|--------------|

Adjustments:

|   |                  |
|---|------------------|
| To adjust revenues and other financing sources to the modified accrual basis  | -                |
| To adjust expenditures and other financing uses to the modified accrual basis | <u>(171,490)</u> |

|   |                     |
|---|---------------------|
| Excess of revenues and other financing sources over<br>expenditures and other financing uses (GAAP basis) | <u>\$ (670,934)</u> |
|---|---------------------|

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### Expenditures in Excess of Appropriations

In the General Fund, the public safety and culture and recreation expenditures exceeded the appropriation. The excess expenditures were funded by excess revenues and fund balance.

In the Liquid Fuels Fund, no expenditures exceeded appropriations.

In the Capital Project Fund, the capital outlay and miscellaneous expenditures exceeded the appropriation. These excess expenditures were funded by the prior year fund balance and loan receipts.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough has two items that qualify for reporting in this category in conjunction with pension accounting requirements. The net difference between projected and actual earnings on pension plan investments, and changes of assumptions are recorded as deferred outflows of resources related to pensions on the government-wide financial statements. These amounts are determined based on an actuarial valuations performed for the plan. See Note 7 for additional information about the pension plans.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and/or fund balance that applies a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has one item that qualifies for reporting in this category on the balance sheet. Unavailable revenue is reported only on the balance sheet and represents taxes which will not be collected within the available period. The Borough has one item that qualifies for reporting in this category on the statement of net position. The difference between expected and actual experience is recorded as deferred inflows of resources related to pensions on the government-wide financial statements. These amounts will be recognized as an inflow of resources in the period the amounts become available.



# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### Interfund Receivables and Payables

Activity 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.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

### Property and Earned Income Taxes

Property tax revenue and earned income tax revenue are recognized based on amounts levied to the extent collected during the year. Revenues are recognized when they are both measurable and available. Revenues are considered to be 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 considered revenues to be available if they are collected within 60 days of the end of the current fiscal period. In accordance with the Governmental Accounting Standards Board (GASB), earned income taxes are recognized as a receivable when the obligation to pay the tax is incurred by the taxpayer (i.e., income subject to the taxes earned). Uncollected property taxes and earned income taxes, reflected on the balance sheet as taxes receivable, are offset by deferred inflows of resources on the fund financial statements. Interest and penalty charges accrued on unpaid taxes are recognized as revenue when received. Tax refunds are charged against revenues when paid.

### Solid Waste Fund Accounts Receivable

The solid waste receivable is shown net of an allowance for uncollectible amounts of \$65,035. The allowance for uncollectible amounts is estimated by management. When the Members of Council approve the liening of a sanitation account, management writes off the amount as uncollectible under the direct write-off method.

### 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 governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$2,500, except for machinery or equipment whose threshold is over \$1,500, and an estimated useful life in excess of one year. 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.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Property, plant, and equipment of the Borough are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>      | <u>Years</u> |
|--------------------|--------------|
| Buildings          | 50           |
| Site improvements  | 10-30        |
| Vehicles           | 3-8          |
| Office equipment   | 5-10         |
| Computer equipment | 5            |
| Pool equipment     | 10-15        |
| Infrastructure     | 10-100       |

### Compensated Absences

Public Works employees under the Local 433 union contract hired on or before December 31, 2006 are entitled to 20 sick days per year with the right to accumulate 150 days. Upon retirement, an employee will be paid for 30% of a maximum of 90 days of unused accumulated sick days. The rate of pay for this benefit shall be the employee's rate of pay at the time of retirement. Public Works employees hired on or after January 1, 2007 are entitled to 10 sick days per year with the right to accumulate 75 days. Upon retirement, an employee will be paid for 30% of a maximum of 45 days of unused accumulated sick days. The rate of pay for this benefit shall be the employee's rate of pay at the time of retirement.

Employees under the police union contract are entitled to 15 days of sick leave per year after they have been employed for one year and permitted to accumulate such sick leave up to 135 days. For employees hired before January 1, 2009, upon normal retirement, 50% of the accumulated sick days will be paid at the employee's regular base pay. For employees hired on or after January 1, 2009, upon normal retirement, the accumulated sick days will be paid at \$50 per day up to a maximum of 150 accumulated sick days.

Employees under the police union contract accrue compensatory time up to 480 hours. They are compensated at 100% of their current salary if they leave employment with the Borough.

Administration employees receive 20 sick days per year, which can be carried over to the next year if unused. They can accrue a maximum of 150 days plus 20 days current (1,275 hours max). Administration employees are not paid for unused sick days when they leave employment.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In the government-wide

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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financial statements, compensated absences of \$244,553 are recorded as a non-current liability due in more than one year.

### Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. When incurred, bond premiums and discounts would be deferred and amortized over the life of the bonds. Bonds would then be reported net of the applicable bond premium or discount. The Borough has no bonds or related costs recorded at December 31, 2016.

### Fund Balance

GASB establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follow:

#### Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact.

#### Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Borough ordinances).

Enabling legislation authorizes the Borough to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Borough can be compelled by an external party, such as citizens, to use resources created by enabling legislation only for the purposes specified by the legislation.

#### Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Borough

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Council. Those committed amounts cannot be used for any other purpose unless the Borough Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Borough Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable.

### Assigned

Amounts in assigned fund balance classification are intended to be used by the Borough for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Borough Council or a Borough official delegated with that authority.

### Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The Borough applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### Net Position

Net position is classified 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,

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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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 restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted - This component of net position consists of net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

### Estimates

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

### Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the Borough's 2016 financial statements:

GASB Statement No. 72, "*Fair Value Measurement and Application*," addresses accounting and financial reporting issues related to fair value measurements. The disclosure requirements of this statement have been incorporated into these financial statements.

GASB Statement No. 76, "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55.

GASB Statement No. 77 "*Tax Abatement Disclosures*," requires certain information to be disclosed about tax abatement agreements entered into between a government and individuals or entities. The Borough has no tax abatement agreements to report.

### Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 73 (Pensions not in Scope of GASB 68), 74 (OPEB Plans), 75 (OPEB Employer), 80 (Component Units), 81 (Split-Interest Agreements), 82 (Pensions), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 85 (Blending, Goodwill, Fair Value, OPEB), 86 (Certain Debt Extinguishment Issues), and 87 (Leases). Management has not yet determined the impact of these statements on the financial statements.

## 2. CASH AND INVESTMENTS

Cash includes amounts in demand deposit accounts. Governmental fund investments are stated at fair value which approximates cost. Pension trust fund investments are reported at fair value. Pennsylvania statutes provide for investment of governmental funds (which excludes pension trust 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 acceptances, 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 Borough adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or invested with approved investment pools.

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the Borough's deposit and investment risks:

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Borough does not have a formal deposit policy for custodial credit risk. At December 31, 2016, \$2,459,817 of the

# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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Borough's bank balance of \$2,963,028 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. These deposits have carrying amounts of \$2,899,541 as of December 31, 2016.

**Interest Rate Risk** – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – The Borough has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. At December 31, 2016, the Borough does not have any investments exposed to credit risk.

Pension Trust Funds investments are held separately from those of other Borough funds. Financial instruments potentially expose the pension trust funds to various risks such as concentrations of credit risk and market risks. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near term and that such change could materially affect the amount reported on the combined statement of fiduciary net position.

Principal Financial Group indicates from the guaranteed interest account an average effective maturity of 6.95 years and, therefore, they are subject to interest rate risk. 96% of these proprietary investments have external ratings of BBB or better. Custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments. To reduce investment risks, Principal Financial Group invests assets in a diversified portfolio.

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The composition of the pension trust funds is noted below along with the fair value measurements as of December 31, 2016:

| Investments by Fair Value Level:                   | December 31, 2016   | Fair Value Measurements Using |           |              |
|--|---------------------|-------------------------------|-----------|--------------|
|  |                     | (Level 1)                     | (Level 2) | (Level 3)    |
| Guaranteed interest account                        | \$ 6,178,738        | \$ -                          | \$ -      | \$ 6,178,738 |
| Investments measured at the net asset value (NAV): |                     |                               |           |              |
| Pooled Separate Accounts - Equities                | <u>977,009</u>      |                               |           |              |
| Total investments measured at fair value           | <u>\$ 7,155,747</u> |                               |           |              |

The fair value of guaranteed interest account represents contract value adjusted to reflect current market interest rates only to the extent such market rates exceed crediting rates (Level 3 inputs). The value represents the amount plan participants would receive currently if they were to withdraw or transfer funds within the plan prior to their maturity for an event other than death, disability, termination or retirement. There are no unfunded commitments.

### Investments Measured Using the Net Asset Value per Share Practical Expedient

Interest in pooled separate accounts is valued at the net asset value of shares held by the pension trust funds at year-end. This separate account fund invests in equities. Investments held in the separate accounts are stated at fair value and are not available to satisfy the liabilities of the general account. Pooled separate accounts are valued at net asset per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. The pooled separate accounts consist of stocks actively traded that are easily redeemed at the request of participants. The investment strategies of the underlying investment funds of the separate account include seeking capital appreciation and current income.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the pension trust funds believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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| <u>December 31,<br/>2016</u> | <u>Fair Value</u> | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency (If<br/>Currently Eligible)</u> | <u>Redemption<br/>Notice Period</u> |
|------------------------------|-------------------|---------------------------------|---|-------------------------------------|
| Pooled separate<br>accounts  | <u>\$ 977,009</u> | n/a                             | Daily   | n/a                                 |

The Retirement Trust Fund Investments are also held separately from those of other Borough funds. There are currently two checking accounts with, combined, a carrying amount and bank balance of \$679,867. \$413,930 of this balance was exposed to custodial credit risk at December 31, 2016.

The Borough has no foreign currency risks for any of its funds.

### 3. PROPERTY TAXES

The Borough is permitted by the Borough Code of the State of Pennsylvania to levy property taxes at the Borough's discretion as considered necessary for general governmental services. The Borough real estate taxes were levied at the rate of 5.16 mills per the 2016 tax ordinance. The taxable assessed value for 2016 real estate taxes was \$384,481,107, which is approximately 100% of the fair market value and reflects a reassessment conducted by Allegheny County.

Real estate taxes are based on assessed valuations provided by Allegheny County (County) and are levied on April 1. These taxes are billed and collected by an elected tax collector. Taxes paid through May 31 are given a 2% discount. Amounts paid after July 31 are assessed a 10% penalty. Any uncollected balances at January 31, 2017 were turned over for collection to an outside service.

The property tax calendar for 2016 was as follows:

|  |                   |
|--|-------------------|
| 2016 Millage rate adopted              | December 21, 2015 |
| 2016 Bills dated                       | April 1, 2016     |
| 2016 Two percent discount period ended | May 31, 2016      |
| 2016 Penalty period began              | August 1, 2016    |

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

### 4. CAPITAL ASSETS

A summary of changes in capital assets during fiscal year 2016 is as follows:

|  | Balance at<br>January 1, 2016 | Additions         | (Deletions)       | Balance at<br>December 31, 2016 |
|--|-------------------------------|-------------------|-------------------|---------------------------------|
| <b>Governmental Activities:</b>        |                               |                   |                   |                                 |
| Capital assets, not being depreciated: |                               |                   |                   |                                 |
| Land                                   | \$ 758,866                    | \$ -              | \$ -              | \$ 758,866                      |
| Construction in progress               | 309,550                       | 709,993           | -                 | 1,019,543                       |
|  | <u>1,068,416</u>              | <u>709,993</u>    | <u>-</u>          | <u>1,778,409</u>                |
| Capital assets, being depreciated:     |                               |                   |                   |                                 |
| Buildings                              | 1,496,264                     | -                 | -                 | 1,496,264                       |
| Land improvements                      | 128,863                       | -                 | -                 | 128,863                         |
| Equipment and vehicles                 | 1,796,770                     | 96,452            | (33,671)          | 1,859,551                       |
| Infrastructure                         | 5,287,775                     | 233,022           | -                 | 5,520,797                       |
|  | <u>8,709,672</u>              | <u>329,474</u>    | <u>(33,671)</u>   | <u>9,005,475</u>                |
| Less accumulated depreciation for:     |                               |                   |                   |                                 |
| Buildings                              | (1,278,557)                   | (9,982)           | -                 | (1,288,539)                     |
| Land improvements                      | (136,366)                     | (2,392)           | -                 | (138,758)                       |
| Equipment and vehicles                 | (1,483,980)                   | (101,587)         | 25,602            | (1,559,965)                     |
| Infrastructure                         | (888,187)                     | (191,738)         | -                 | (1,079,925)                     |
| Total accumulated depreciation         | <u>(3,787,090)</u>            | <u>(305,699)</u>  | <u>25,602</u>     | <u>(4,067,187)</u>              |
| Governmental activities                |                               |                   |                   |                                 |
| Capital assets, net                    | <u>\$ 5,990,998</u>           | <u>\$ 733,768</u> | <u>\$ (8,069)</u> | <u>\$ 6,716,697</u>             |

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

As of December 31, 2016, construction in progress consists of the construction of the Borough's recreation center.

|  | Balance at<br>January 1, 2016 | Additions   | (Deletions) | Balance at<br>December 31, 2016 |
|--|-------------------------------|-------------|-------------|---------------------------------|
| <b>Business-Type Activities:</b>       |                               |             |             |                                 |
| Capital assets, not being depreciated: |                               |             |             |                                 |
| Land                                   | \$ 50,000                     | \$ -        | \$ -        | \$ 50,000                       |
| Capital assets, being depreciated:     |                               |             |             |                                 |
| Building and pool                      | 1,106,675                     | -           | -           | 1,106,675                       |
| Sewage system                          | -                             | -           | -           | -                               |
| Computers and equipment                | 215,756                       | -           | -           | 215,756                         |
|  | 1,322,431                     | -           | -           | 1,322,431                       |
| Less accumulated depreciation for:     |                               |             |             |                                 |
| Building and pool                      | (760,095)                     | (28,858)    | -           | (788,953)                       |
| Computers and equipment                | (258,757)                     | (5,761)     | -           | (264,518)                       |
| Total accumulated depreciation         | (1,018,852)                   | (34,619)    | -           | (1,053,471)                     |
| Business-type activities               |                               |             |             |                                 |
| Capital assets, net                    | \$ 353,579                    | \$ (34,619) | \$ -        | \$ 318,960                      |

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

**Governmental Activities:**

|  |            |
|--|------------|
| General government                                   | \$ 36,624  |
| Public safety  | 237,945    |
| Public works   | 31,130     |
| Total depreciation expense - governmental activities | \$ 305,699 |

**Business-Type Activities:**

|  |           |
|--|-----------|
| Pool   | \$ 33,183 |
| Solid waste  | 1,436     |
| Total depreciation expense - enterprise activities | \$ 34,619 |

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers at December 31, 2016 are summarized below:

| Fund                      | Interfund<br>Receivables | Interfund<br>Payables |
|---------------------------|--------------------------|-----------------------|
| Major Funds:              |                          |                       |
| General                   | \$ 834,540               | \$ (105,274)          |
| Liquid Fuels Fund         | -                        | (58,423)              |
| Swimming Pool Fund        | -                        | (412,231)             |
| Capital Projects Fund     | 200                      | (216,588)             |
| Solid Waste Disposal Fund | 59,174                   | (144,148)             |
| Fiduciary Funds           | 2,128                    | (2,128)               |
| Retirement Trust Fund     | 45,900                   | (3,150)               |
| Total                     | <u>\$ 941,942</u>        | <u>\$ (941,942)</u>   |

All due to/due from amounts are expected to be liquidated within the next year, except the \$412,231 due to the General Fund from the Swimming Pool Fund. The Swimming Pool Fund will reimburse the General Fund for payroll expenditures when funds become available. Transfers during 2016 were immaterial.

### 6. LONG-TERM DEBT

#### General Obligation Note 2003

This is a General Obligation Note (note) issued for the White Oak Volunteer Fire Company No. 1 for the purpose of purchasing a fire truck. The note was issued October 2003 for \$150,000 at a 2.0% interest rate for a term of 15 years with annual installments of \$11,583 including interest. This note was paid off during 2016.

The Borough obtained a line of credit with maximum borrowings of \$600,000 to provide interim financing for the Community Center Construction and Improvements project. Interest-only payments are due monthly at a rate of 1.94%. The loan is secured by a pledge of taxes and revenues to be received by the Borough, inclusive of state grant proceeds for this aforementioned project. The loan matures in May 2018. The outstanding balance due at December 31, 2016 was \$215,922.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### Governmental Activities:

|                      | Balance at<br>January 1, 2016 | Principal<br>Repayments | Other<br>Changes  | Balance at<br>December 31, 2016 | Due Within<br>One Year |
|----------------------|-------------------------------|-------------------------|-------------------|---------------------------------|------------------------|
| Loans and notes      | \$ 7,017                      | \$ (7,017)              | \$ -              | \$ -                            | \$ -                   |
| Line of credit       | -                             | -                       | 215,922           | 215,922                         | 215,922                |
| Compensated absences | 236,482                       | -                       | 8,071             | 244,553                         | -                      |
|                      | <u>\$ 243,499</u>             | <u>\$ (7,017)</u>       | <u>\$ 223,993</u> | <u>\$ 460,475</u>               | <u>\$ 215,922</u>      |

## 7. PENSION PLANS

### Summary of Significant Accounting Policies

Financial information of the Borough's pension plans is presented on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Employer contributions to the plans are recognized when due as required by applicable law. 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. The plans did not have any investment transactions with related parties during the year.

### Plan Descriptions

The Borough sponsors and administers two single-employer defined pension plans covering substantially all full-time employees: the Non-Uniformed Pension Plan (Non-Uniformed Plan), which covers all of the full-time office and public works employees and the Police Pension Plan (Police Plan), which covers all of its full-time police officers. Plan provisions are established by municipal ordinance with the Borough for municipal contributions required by Act 205 of the Commonwealth (Act). The Plans are governed by the Borough's Council, which has delegated the authority to manage certain Plan assets to the Principal Financial Group. The activity of the Plans is reported as the Pension Trust Fund in the accompanying financial statements. Stand-alone financial statements are not issued for either plan. The most recent actuarial valuation was completed as of January 1, 2015.

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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As of December 31, 2016, pension membership consisted of the following:

|   | <u>Non-Uniformed</u> | <u>Police</u> |
|---|----------------------|---------------|
| Inactive plan members or beneficiaries currently receiving benefits | 3                    | 10            |
| Inactive plan members entitled to but not yet receiving benefits    | 5                    | 0             |
| Active plan members   | 8                    | 12            |
| Total plan members  | <u>16</u>            | <u>22</u>     |

### Benefits Provided – Non-Uniformed Plan

Participants in the Non-Uniformed Plan are 100% vested after completion of nine years of service. All employees hired on or before 1/1/2009 are 100% vested.

*Retirement Benefit* - A participant is entitled to begin receiving retirement benefits after completing 10 years of service and attaining age 65. Early retirement is permitted at the age of 55 after completing nine years of service. The scheduled monthly retirement benefit is 1.5% of the participant's final average monthly salary multiplied by years of service on or after January 1, 1992 and 1% of the final monthly average service multiplied by years of service before January 1, 1992. Employees are vested for benefits after nine years of service.

*Disability Benefit* - If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit after nine years of service. The scheduled benefit is the accrued benefit at date of disablement, offset by Social Security disability benefits for the same injury. Payments will continue until the earliest of recovery, death, or normal retirement.

*Death Benefit* - If a participant's death occurs before retirement eligibility, the participant's estate receives a refund of contributions made by the participant, plus interest.

### Benefits Provided – Police Plan

Participants in the Police Plan are 100% vested after 12 years of service. The Police Plan provides the following benefits:

*Retirement Benefit* - A participant is entitled to begin receiving retirement benefits after completing 25 years of service and attaining age 50. The scheduled monthly retirement benefit is 50% of the participant's final average monthly compensation earned plus service increment, if any.

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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*Disability Benefit* - If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is 50% of the participant's salary at the time the disability was incurred, offset by Social Security disability benefits for the same injury. Payments will continue until the earliest of recovery, death, or normal retirement.

*Death Benefit* - If a participant's death occurs before retirement eligibility, the participant's estate receives a refund of contributions made by the participant, plus interest. If a participant's death occurs in the line of duty and the participant is survived by an eligible spouse or dependent children, a monthly benefit is payable until the latest of the spouse's death, spouse's remarriage, or the youngest dependent attaining age 18 (age 23 if attending college). The benefit payable is 50% of the participant's salary at the time of death. If a participant's death occurs after the participant has qualified for retirement and the participant is survived by an eligible spouse or dependent children, a monthly benefit is payable until the latest of the spouse's death, spouse's remarriage, or the youngest dependent attaining age 18 (age 23 if attending college). The benefit payable is 50% of the pension the participant was receiving or entitled to receive on the date of death.

### 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 that exceeds the Commonwealth of Pennsylvania allocation must be funded by the Borough (and could include employee contributions).

For 2016, both employee groups were required to contribute based upon the financial requirements established by their collective bargaining contract. In 2016, the Non-Uniformed Plan contribution rate was 3.25% and the Police Retirement Plan contribution rate was 5.0% of their compensation.

During the year, the Borough made its required contribution of \$99,531 and \$195,265 to the Non-Uniformed and Police Plans, respectively, based upon the MMO. A portion of the required contribution was funded through the Commonwealth of Pennsylvania funding.

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

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

### Net Pension Liability

The components of the net pension liability of the pension plans at December 31, 2016 were as follows:

|  | Non-Uniformed | Police       |
|--|---------------|--------------|
| Total pension liability  | \$ 2,244,120  | \$ 6,484,188 |
| Plan fiduciary net position  | 1,915,218     | 5,246,600    |
| Net pension liability  | \$ 328,902    | \$ 1,237,588 |
| Plan fiduciary net position as a percentage of the total pension liability | 85.3%         | 80.9%        |

### Changes in the Net Pension Liability

The changes in the net pension liability of the Non-Uniformed Plan for the year ended December 31, 2016 were as follows:

|  | Increases / Decreases   |                             |                       |
|--|-------------------------|-----------------------------|-----------------------|
|  | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at December 31, 2015  | \$ 2,375,369            | \$ 2,022,747                | \$ 352,622            |
| Changes for the year:  |                         |                             |                       |
| Service cost   | 45,831                  | -                           | 45,831                |
| Interest   | 134,639                 | -                           | 134,639               |
| Contributions - employer   | -                       | 99,531                      | (99,531)              |
| Contributions - employee   | -                       | 15,168                      | (15,168)              |
| Net investment income  | -                       | 101,178                     | (101,178)             |
| Benefit payments, including refunds  | (311,719)               | (311,719)                   | -                     |
| Administrative expense   | -                       | (11,687)                    | 11,687                |
| Net changes  | (131,249)               | (107,529)                   | (23,720)              |
| Balances at December 31, 2016  | \$ 2,244,120            | \$ 1,915,218                | \$ 328,902            |
| Plan fiduciary net position as a percentage of the total pension liability |                         |                             | 85.34%                |



# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The changes in the net pension liability of the Police Plan for the year ended December 31, 2016 were as follows:

|  | Increases / Decreases          |                                    |                              |
|--|--------------------------------|------------------------------------|------------------------------|
|  | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| Balances at December 31, 2014  | \$ 6,087,176                   | \$ 4,872,628                       | \$ 1,214,548                 |
| Changes for the year:  |                                |                                    |                              |
| Service cost   | 219,884                        | -                                  | 219,884                      |
| Interest   | 372,643                        | -                                  | 372,643                      |
| Contributions - employer   | -                              | 195,265                            | (195,265)                    |
| Contributions - employee   | -                              | 53,720                             | (53,720)                     |
| Net investment income  | -                              | 340,220                            | (340,220)                    |
| Benefit payments, including refunds  | (195,515)                      | (195,515)                          | -                            |
| Administrative expense   | -                              | (19,718)                           | 19,718                       |
| Net changes  | <u>397,012</u>                 | <u>373,972</u>                     | <u>23,040</u>                |
| Balances at December 31, 2015  | <u>\$ 6,484,188</u>            | <u>\$ 5,246,600</u>                | <u>\$ 1,237,588</u>          |
| Plan fiduciary net position as a percentage of the total pension liability |                                |                                    | <u>80.91%</u>                |

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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

|                            | <u>Non-Uniformed</u>                     | <u>Police</u>            |
|----------------------------|--|--------------------------|
| Actuarial assumptions:     |  |                          |
| Actuarial valuation date   | 1/1/2015                                 | 1/1/2015                 |
| Actuarial cost method      | Entry age normal<br>6.0% pre-termination | Entry age normal         |
| Investment rate of return  | 5.5% post-termination                    | 6.00% all periods        |
| Projected salary increases | 4.0% including inflation                 | 4.5% including inflation |
| Includes inflation - at    | 3.0%                                     | 3.0%                     |

Actuarial assumptions based on actuarial experience study for the period January 1, 2013 to December 31, 2014

Non-Uniformed

RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives.

Police

RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives.

*Changes in Actuarial Assumptions* – The interest rate was reduced to 6.0% from 6.25% with the 1/1/2015 actuarial valuation. Also, the salary rate for the Non-Uniformed plan decreased from 4.25% to 4.0%.

*Investment Policy* – The Plans are authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plans have no formally adopted investment policy.

*Credit Risk* - Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plans have no investment policy for credit risk. At December 31, 2016, all plan assets were invested in an annuity contract held by Principal Financial Group, which is not rated.

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

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2016:

| Asset Class             | Target Allocation |        | Long-Term Expected<br>Real Rate of Return |        |
|-------------------------|-------------------|--------|---|--------|
|                         | Non-Uniformed     | Police | Non-Uniformed                             | Police |
| Equity                  | 50-70%            | 50-70% | 6.3%                                      | 6.3%   |
| Fixed income            | 20-50%            | 20-50% | 2.0%                                      | 2.0%   |
| Cash equivalents        | 0-20%             | 0-20%  | 0.0%                                      | 0.0%   |
| Alternative investments | 0-5%              | 0-5%   | 0.0%                                      | 0.0%   |

*Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2016, the annual money-weighted rate of return on the Non-Uniformed Plan and Police Plan investments, net of investment expense, was 5.18% and 7.01%, respectively.

*Concentration of Credit Risk* is the risk of loss attributed to the magnitude of an investment in a single issuer. The plan places no limit on the amount that may be invested in any one issuer.

*Interest Rate Risk* for investments is the risk that a change in interest rates will adversely affect the fair value of an investment.

*Discount Rate* - The discount rate used to measure the total pension liability for the Non-Uniformed and Police Plans was 6.00% pre-termination and 5.5% post-termination. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the Borough's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate* – The following presents the net pension liability of the Plans calculated using the discount rates described above, as well as what the Plans' net pension liabilities would be if they were

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

|                 | 1% Decrease<br>(5.00%) | Current Discount<br>Rate (6.00%) | 1% Increase<br>(7.00%) |
|-----------------|------------------------|----------------------------------|------------------------|
| Non-Uniformed * | \$ 625,638             | \$ 328,902                       | \$ 74,230              |
|                 | 1% Decrease<br>(5.00%) | Current Discount<br>Rate (6.00%) | 1% Increase<br>(7.00%) |
| Police          | \$ 2,068,368           | \$ 1,237,588                     | \$ 547,251             |

\*Rate shown is pre-termination. Post-termination rates are 0.50% lower.

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

For the year ended December 31, 2016, the Plans recognized pension expense of approximately \$395,000. At December 31, 2016, the Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Non-Uniformed<br>Plan | Police Plan | Total      |
|--|-----------------------|-------------|------------|
| <u>Deferred Outflow of Resources:</u>  |                       |             |            |
| Changes in assumption  | \$ 4,281              | \$ 110,384  | \$ 114,665 |
| Net difference between projected and actual earnings on pension plan investments | 90,199                | 101,936     | 192,135    |
| Total deferred outflows of resources   | \$ 94,480             | \$ 212,320  | \$ 306,800 |
| <u>Deferred Inflows of Resources:</u>  |                       |             |            |
| Differences between expected and actual experience                               | \$ 18,967             | \$ 50,336   | \$ 69,303  |
| Net difference between projected and actual earnings on pension plan investments | -                     | 39,818      | 39,818     |
| Total deferred inflows of resources  | \$ 18,967             | \$ 90,154   | \$ 109,121 |

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> |                   |
|---------------------------------|-------------------|
| 2017                            | \$ 64,202         |
| 2018                            | 64,202            |
| 2019                            | 64,201            |
| 2020                            | 5,074             |
| 2021                            | -                 |
| Thereafter                      | -                 |
|                                 | <u>\$ 197,679</u> |

### 8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits disclosed in Note 7, labor agreements have provided for certain postemployment benefits, other than pension benefits, to be provided to retirees or their beneficiaries. The plan is considered partially “funded.” Annual contributions are primarily funded through annual appropriations from the Borough's General Fund. Post-retirement benefits consist of health care benefits for the police department and public works until Medicare eligibility for employees hired before January 1, 2009, a \$5,000 cash payout for public works employees, a \$8,000 term life insurance policy for police officers. For GASB Statement No. 45 purposes, the employer’s coverage is considered a single plan, even though there are different types of benefits and different employee groups included. The plan operates as a single-employer defined benefit plan. Stand-alone financial statements are not issued for the plan.

Benefit provisions for the plan are established and amended through negotiations between the Borough and the respective unions.

*Funding Policy.* The plan is considered “partially funded.” For fiscal year 2016, the Borough contributed \$45,900 to the plan. Employees are not required to make contributions for basic life insurance or health insurance.

*Annual OPEB Cost.* The Borough’s annual OPEB cost (expense) for the plan 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 normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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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 age, mortality, and the healthcare costs trend.

Premium rates charged to the Borough for most benefits are related to the combined experience of active and retired lives. For many benefits, age tends to be a significant factor in average claims cost per person. The average amount of retiree claims will tend to be higher than the average amount of active claims. As a result, premiums being paid will be higher than if only actives were covered but lower than if only retirees were covered. Therefore, there is an implicit subsidy for the retirees. Accordingly, age adjusted medical cost per covered retiree life was developed. The use of this age-adjusted cost means that there would be a cost to the Borough even if the retiree paid the entire charged premium. This cost is equal to the amount of the subsidy.

Amounts determined regarding the funded status of the plan 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 schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents 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.

*Actuarial Methods and Assumptions.* 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.

The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the Borough's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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|   |                           |
|---|---------------------------|
| Annual required contribution                  | \$ 90,113                 |
| Interest on net OPEB obligation               | (3,393)                   |
| Adjustment to annual required contribution    | <u>5,444</u>              |
| Annual OPEB cost                              | 92,164                    |
| Contributions made                            | <u>45,900</u>             |
| Increase (decrease) in net OPEB obligation    | 46,264                    |
| Net OPEB obligation (asset) beginning of year | <u>(67,830)</u>           |
| Net OPEB obligation (asset) end of year       | <u><u>\$ (21,566)</u></u> |

The Borough's annual OPEB cost and related information for the plan is as follows:

|                                       |                  |
|---------------------------------------|------------------|
| Actuarial valuation date              | 1/1/2015         |
| Actuarial cost method                 | Entry Age Normal |
| Amortization method                   | Level dollar     |
| Asset valuation method                | Market value     |
| Remaining amortization period         | 20 years         |
| Actuarial assumptions:                |                  |
| Investment rate of return             | 5.0%             |
| Health care inflation rate            | 25%              |
| Dental inflation rate                 | 3%               |
| Age adjustment for health care costs: |                  |
| Age 45                                | \$ 5,339         |
| Age 50                                | 6,279            |
| Age 55                                | 7,386            |
| Age 60                                | 8,815            |
| Age 64                                | 9,921            |

For the Actuarial Valuation report dated January 1, 2015, the actuarial value of assets is \$633,067, and the actuarial accrued liability is \$1,241,779 for a funded ratio of 51%. The assets are included in the Retirement Trust Fund, which is a fiduciary fund included in the Borough's financial statements. While the Borough has not taken all necessary steps to legally make the Retirement Trust Fund irrevocable, the Borough's current and past intent, and past practice has been that the Trust Fund be treated as irrevocable and the Actuarial Valuation treats it as such.

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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### Three-Year Trend Information

| <u>Year Ending</u> | <u>Annual OPEB<br/>Cost (AOC)</u> | <u>Percentage of<br/>AOC Contributed</u> | <u>Net OPEB<br/>Obligation (Asset)</u> |
|--------------------|-----------------------------------|--|--|
| December 31, 2016  | \$ 92,164                         | 49.80%                                   | \$ (21,566)                            |
| December 31, 2015  | 49,069                            | 93.54%                                   | (67,830)                               |
| December 31, 2014  | 49,230                            | 92.95%                                   | (70,999)                               |

### **9. DEFERRED COMPENSATION PLAN**

The Borough offers its employees a deferred compensation plan (plan) created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The funds are not available to employees until termination, retirement, death, or unforeseeable emergency. At December 31, 2016, all amounts of compensation deferred under the plan were held in trust solely for the benefit of the participants. Investments are managed by the plan's trustee under several investment options selected by the participant. Deferred compensation assets at December 31, 2016 totaled \$375,829. Under the provisions of GASB Statement No. 32, *"Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,"* the plan is not required to be included in the Borough's financial statements.

### **10. COMMITMENTS AND CONTINGENCIES**

The Borough has committed to a roof rehab project for the White Oak Athletic Association (WOAA) of approximately \$99,000. Also, the Borough is involved in a number of other matters arising in the ordinary course of its operations. At present, management believes the ultimate outcome of these matters, after consideration of any applicable insurance coverage, will not be material to the financial statements taken as a whole. The Borough maintains insurance through independent carriers for all types of business losses. Management believes the insurance coverage is sufficient to cover the Borough against potential losses. There have been no significant changes in insurance coverage since the prior fiscal year and settlements did not exceed insurance coverage for the past three years.



**Required Supplementary  
Information - Pension Plan  
Disclosures**

# BOROUGH OF WHITE OAK

## SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

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

#### POLICE PLAN

YEAR ENDED DECEMBER 31

|   | 2016                | 2015                | 2014                |
|---|---------------------|---------------------|---------------------|
| <b>Total Pension Liability:</b>   |                     |                     |                     |
| Service cost  | \$ 219,884          | \$ 210,415          | \$ 173,863          |
| Interest  | 372,643             | 350,368             | 337,829             |
| Differences between expected and actual experience                                | -                   | (76,150)            | -                   |
| Changes of assumptions  | -                   | 166,990             | -                   |
| Benefit payments, including refunds of member contributions                       | (195,515)           | (202,360)           | (207,248)           |
| <b>Net Changes in Total Pension Liability</b>                                     | <b>397,012</b>      | <b>449,263</b>      | <b>304,444</b>      |
| <b>Total Pension Liability - Beginning</b>  | <b>6,087,176</b>    | <b>5,637,913</b>    | <b>5,333,469</b>    |
| <b>Total Pension Liability - Ending (a)</b>                                       | <b>\$ 6,484,188</b> | <b>\$ 6,087,176</b> | <b>\$ 5,637,913</b> |
| <b>Plan Fiduciary Net Position:</b>   |                     |                     |                     |
| Contributions - employer  | \$ 195,265          | \$ 193,542          | \$ 167,242          |
| Contributions - member  | 53,720              | 50,558              | 48,167              |
| Net investment income (includes investment expenses)                              | 340,220             | 112,034             | 310,683             |
| Benefit payments, including refunds of member contributions                       | (195,515)           | (202,360)           | (207,248)           |
| Administrative expense  | (19,718)            | (14,570)            | (6,521)             |
| <b>Net Change in Plan Fiduciary Net Position</b>                                  | <b>373,972</b>      | <b>139,204</b>      | <b>312,323</b>      |
| <b>Plan Fiduciary Net Position - Beginning</b>                                    | <b>4,872,628</b>    | <b>4,733,424</b>    | <b>4,421,101</b>    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                                   | <b>\$ 5,246,600</b> | <b>\$ 4,872,628</b> | <b>\$ 4,733,424</b> |
| <b>Net Pension Liability - Ending (a-b)</b>                                       | <b>\$ 1,237,588</b> | <b>\$ 1,214,548</b> | <b>\$ 904,489</b>   |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <b>80.9%</b>        | <b>80.0%</b>        | <b>84.0%</b>        |
| <b>Covered Employee Payroll</b>   | <b>\$ 1,080,408</b> | <b>\$ 1,011,192</b> | <b>\$ 979,362</b>   |
| <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>          | <b>114.5%</b>       | <b>120.1%</b>       | <b>92.4%</b>        |

See accompanying note to schedules of required supplementary information - pension plans.

# BOROUGH OF WHITE OAK

## SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

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

#### NON-UNIFORMED PLAN

YEAR ENDED DECEMBER 31

|   | 2016                | 2015                | 2014                |
|---|---------------------|---------------------|---------------------|
| <b>Total Pension Liability:</b>   |                     |                     |                     |
| Service cost  | \$ 45,831           | \$ 44,068           | \$ 46,742           |
| Interest  | 134,639             | 133,976             | 131,901             |
| Changes of benefit terms  | -                   | 19,398              | -                   |
| Differences between expected and actual experience                                | -                   | (30,461)            | -                   |
| Changes of assumptions  | -                   | 6,877               | -                   |
| Benefit payments, including refunds of member contributions                       | (311,719)           | (34,920)            | (34,891)            |
| <b>Net Changes in Total Pension Liability</b>                                     | <b>(131,249)</b>    | <b>138,938</b>      | <b>143,752</b>      |
| <b>Total Pension Liability - Beginning</b>  | <b>2,375,369</b>    | <b>2,236,431</b>    | <b>2,092,679</b>    |
| <b>Total Pension Liability - Ending (a)</b>                                       | <b>\$ 2,244,120</b> | <b>\$ 2,375,369</b> | <b>\$ 2,236,431</b> |
| <b>Plan Fiduciary Net Position:</b>   |                     |                     |                     |
| Contributions - employer  | \$ 99,531           | \$ 96,011           | \$ 103,085          |
| Contributions - member  | 15,168              | 16,503              | 14,909              |
| Net investment income (includes investment expenses)                              | 101,178             | (14,752)            | 90,275              |
| Benefit payments, including refunds of member contributions                       | (311,719)           | (34,920)            | (34,891)            |
| Administrative expense  | (11,687)            | (13,394)            | (5,183)             |
| <b>Net Change in Plan Fiduciary Net Position</b>                                  | <b>(107,529)</b>    | <b>49,448</b>       | <b>168,195</b>      |
| <b>Plan Fiduciary Net Position - Beginning</b>                                    | <b>2,022,747</b>    | <b>1,973,299</b>    | <b>1,805,104</b>    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                                   | <b>\$ 1,915,218</b> | <b>\$ 2,022,747</b> | <b>\$ 1,973,299</b> |
| <b>Net Pension Liability - Ending (a-b)</b>                                       | <b>\$ 328,902</b>   | <b>\$ 352,622</b>   | <b>\$ 263,132</b>   |
| <b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b> | <b>85.3%</b>        | <b>85.2%</b>        | <b>88.2%</b>        |
| <b>Covered Employee Payroll</b>   | <b>\$ 437,615</b>   | <b>\$ 480,137</b>   | <b>\$ 484,121</b>   |
| <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>          | <b>75.2%</b>        | <b>73.4%</b>        | <b>54.4%</b>        |

See accompanying note to schedules of required supplementary information - pension plans.

**BOROUGH OF WHITE OAK**

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION -  
PENSION PLANS

SCHEDULES OF BOROUGH'S CONTRIBUTIONS  
AND INVESTMENT RETURNS

YEAR ENDED DECEMBER 31

**NON-UNIFORMED PLAN:**

|  | 2016       | 2015       | 2014       | 2013       | 2012       | 2011      | 2010       | 2009      | 2008        |
|--|------------|------------|------------|------------|------------|-----------|------------|-----------|-------------|
| <b>Schedule of Borough's Contributions</b>                           |            |            |            |            |            |           |            |           |             |
| Actuarially determined contribution                                  | \$ 99,531  | \$ 96,011  | \$ 103,085 | \$ 107,037 | \$ 92,800  | \$ 96,682 | \$ 89,323  | \$ 65,187 | \$ 48,777   |
| Contributions in relation to the actuarially determined contribution | 99,531     | 96,011     | 103,085    | 107,040    | 92,800     | 81,688    | 89,316     | 65,187    | 60,309      |
| Contribution deficiency (excess)                                     | \$ -       | \$ -       | \$ -       | \$ (3)     | \$ -       | \$ 14,994 | \$ 7       | \$ -      | \$ (11,532) |
| Covered employee payroll   | \$ 437,615 | \$ 480,137 | \$ 484,121 |            | \$ 568,094 |           | \$ 583,538 |           | \$ 714,650  |
| Contributions as a percentage of covered employee payroll            | 22.7%      | 20.0%      | 21.3%      |            | 16.3%      |           | 15.3%      |           | 8.4%        |
| <b>Investment Returns</b>  |            |            |            |            |            |           |            |           |             |
| Annual money-weighted rate of return, net of investment expense      | 5.18%      | -0.75%     | 4.22%      |            |            |           |            |           |             |

**POLICE PLAN:**

|  | 2016         | 2015         | 2014       | 2013       | 2012       | 2011       | 2010       | 2009      | 2008       |
|--|--------------|--------------|------------|------------|------------|------------|------------|-----------|------------|
| <b>Schedule of Borough's Contributions</b>                           |              |              |            |            |            |            |            |           |            |
| Actuarially determined contribution                                  | \$ 195,265   | \$ 193,542   | \$ 167,242 | \$ 175,781 | \$ 167,645 | \$ 168,805 | \$ 177,625 | \$ 96,000 | \$ 51,213  |
| Contributions in relation to the actuarially determined contribution | 195,265      | 193,542      | 167,242    | 175,781    | 167,645    | 161,299    | 177,626    | 96,000    | 51,213     |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -       | \$ -       | \$ -       | \$ 7,506   | \$ (1)     | \$ -      | \$ -       |
| Covered employee payroll   | \$ 1,080,408 | \$ 1,011,192 | \$ 979,362 |            | \$ 808,844 |            | \$ 915,360 |           | \$ 866,062 |
| Contributions as a percentage of covered employee payroll            | 18.1%        | 19.1%        | 17.1%      |            | 20.7%      |            | 19.4%      |           | 5.9%       |
| <b>Investment Returns</b>  |              |              |            |            |            |            |            |           |            |
| Annual money-weighted rate of return, net of investment expense      | 7.01%        | 2.41%        | 4.37%      |            |            |            |            |           |            |

See accompanying note to schedules of required supplementary information - pension plans.

# BOROUGH OF WHITE OAK

## NOTE TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

YEAR ENDED DECEMBER 31, 2015

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### Actuarial Methods and Assumptions Used in Calculation of Actuarially Determined Contribution

The latest valuations available are dated January 1, 2015. Additional information as of the January 1, 2015 valuation follows:

|                               | <u>Non-<br/>Uniformed</u> | <u>Police</u>            |
|-------------------------------|---------------------------|--------------------------|
| Actuarial valuation date      | 1/1/2015                  | 1/1/2015                 |
| Actuarial cost method         | Entry Age<br>Normal       | Entry Age<br>Normal      |
| Amortization method           | Level Dollar<br>Closed    | Level Dollar<br>Closed   |
| Amortization period           | 7 years (aggregate)       | 10 years (aggregate)     |
| Asset valuation method        | Fair Value                | Fair Value               |
| Actuarial assumptions:        |                           |                          |
| Investment rate of return     | 6.00%                     | 6.00%                    |
| Post-retirement interest rate | N/A                       | N/A                      |
| Projected salary increases    | 4.0% including inflation  | 4.5% including inflation |
| Underlying inflation rate     | 3.00%                     | 3.00%                    |
| Cost-of-living adjustments    | N/A                       | N/A                      |

**Required Supplementary  
Information – OPEB Plans**

# BOROUGH OF WHITE OAK

## SCHEDULE OF FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFIT PLANS

YEAR ENDED DECEMBER 31, 2016

(Dollar Amounts in Thousands)

| <u>Actuarial<br/>Valuation Date</u> | <u>(a)<br/>Actuarial<br/>Value of Asset</u> | <u>(b)<br/>Actuarial Accrued<br/>Liability</u> | <u>Overfunded<br/>(Unfunded) Actuarial<br/>Accrued Liability</u> | <u>(a/b)<br/>Funded<br/>Ratio</u> | <u>(c)<br/>Covered<br/>Payroll</u> | <u>Overfunded (Unfunded)<br/>Actuarial Accrued<br/>Liability (b-a) as a Percentage<br/>of Covered Payroll ((b-a)/c)</u> |
|-------------------------------------|---|--|--|-----------------------------------|------------------------------------|---|
| 01/01/15                            | \$ 633,067                                  | \$ 1,241,779                                   | \$ (608,712)   | 51.0%                             | N/A                                | N/A   |
| 01/01/12                            | 439,161                                     | 625,626  | (186,465)  | 70.2%                             | N/A                                | N/A   |
| 01/01/09                            | 192,370                                     | 706,353  | (513,983)  | 27.2%                             | N/A                                | N/A   |

Note: Valuations are required every three years, since the Borough has less than 200 participants.

# BOROUGH OF WHITE OAK

## POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs) FACTORS AND TRENDS USED IN ACTUARIAL VALUATION

YEAR ENDED DECEMBER 31, 2016

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

|                               |                  |
|-------------------------------|------------------|
| Actuarial valuation date      | 1/1/2015         |
| Actuarial cost method         | Entry Age Normal |
| Amortization method           | Level dollar     |
| Asset valuation method        | Market Value     |
| Remaining amortization period | 20 years         |
| Actuarial assumptions:        |                  |
| Investment rate of return     | 5.0%             |

Health care inflation rate:

| Year           | Medical/Rx | Dental | Vision |
|----------------|------------|--------|--------|
| 2015           | 5.40%      | 0.00%  | 15.00% |
| 2016           | 25.00%     | 3.00%  | 3.00%  |
| 2017           | 9.25%      | 3.00%  | 3.00%  |
| 2018           | 8.50%      | 3.00%  | 3.00%  |
| 2019           | 8.00%      | 3.00%  | 3.00%  |
| 2020           | 7.50%      | 3.00%  | 3.00%  |
| 2021           | 7.00%      | 3.00%  | 3.00%  |
| 2022           | 6.50%      | 3.00%  | 3.00%  |
| 2023           | 6.00%      | 3.00%  | 3.00%  |
| 2024           | 5.50%      | 3.00%  | 3.00%  |
| 2025 and later | 5.00%      | 3.00%  | 3.00%  |

Premium Schedules as of January 1, 2015

| Age | Medical/Rx |
|-----|------------|
| 45  | \$ 5,339   |
| 50  | 6,279      |
| 55  | 7,386      |
| 60  | 8,815      |
| 64  | 9,921      |