

# BOROUGH OF WHITE OAK

## FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY AND ADDITIONAL INFORMATION

YEAR ENDED DECEMBER 31, 2008

WITH

INDEPENDENT AUDITOR'S REPORT

**MaherDuessel**

Certified Public Accountants || *Pursuing the Profession While Promoting the Public Good\**

# **BOROUGH OF WHITE OAK**

YEAR ENDED DECEMBER 31, 2008

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# BOROUGH OF WHITE OAK

YEAR ENDED DECEMBER 31, 2008

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# MaherDuessel

Certified Public Accountants || *Pursuing the Profession While Promoting the Public Good®*

## 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, and the aggregate remaining fund information of the Borough of White Oak (Borough) as of and for the year ended December 31, 2008, which collectively comprise the Borough's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Borough's earned income taxes, business privilege and mercantile taxes, emergency and municipal services taxes, and delinquent real estate taxes (stated in the fund financial statements at \$746,580, \$271,416, \$9,739, and \$62,209, respectively, for the year ended December 31, 2008) are collected by an outside service. We were unable to obtain audited financial statements of the outside service supporting the amounts collected as an independent audit of the outside service is not performed. Accordingly, we were unable to satisfy ourselves as to (1) whether all of the Borough's earned income taxes, business privilege and mercantile taxes, emergency and municipal services taxes, and delinquent real estate taxes were properly remitted to the Borough and (2) whether actual remittances to the Borough were made on a timely basis.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine additional evidence regarding the Borough's earned income taxes, business privilege and mercantile taxes, emergency and municipal services taxes, and delinquent real estate taxes, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Super Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and pension information are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
June 8, 2009

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

This section of the Borough of White Oak's comprehensive annual report presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2007. 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 of White Oak's financial condition at December 31, 2008. The Management's Discussion and Analysis provides a comparative analysis between 2008 and 2007 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 Assets 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 assets and how they may have changed. The Statement of Net Assets includes all of the Borough's assets and liabilities, except fiduciary funds. Net assets are one way to measure the Borough's financial health or position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. The Statement of Activities focuses on how those assets changed during the year.

**THE BOROUGH AS A WHOLE ANALYSIS**

These statements give an account of the Borough's net assets and any changes to those assets. 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 Assets 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.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

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, Super Fund, and Special Revenue Funds. 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 the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in 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, police pension plan, and the retired employee 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.

FINANCIAL HIGHLIGHTS

The Statement of Net Assets 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 assets" replaces the term "fund balance" as the difference between assets and liabilities.

The Statement of Net Assets is designed to display a basic accounting relationship: assets minus liabilities equal net assets. 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 assets are those remaining after liabilities have been paid off or otherwise satisfied.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

The Borough's net assets at December 31, 2008 were \$9,078,449<sup>1</sup> of which \$2,430,927<sup>2</sup> is invested in capital assets, net of related debt. Capital assets account for approximately 26 % of the Borough total assets of \$9,702,519<sup>3</sup>.

The Borough's net assets at December 31, 2007 were \$9,056,701 of which \$2,574,018 is invested in capital assets, net of related debt. Capital assets account for approximately 27% of the Borough total assets of \$9,666,124. The remainder of the Borough's net assets includes cash and cash equivalents and receivables.

The Borough's total liabilities are \$624,070<sup>4</sup> as of December 31, 2008 and consist of long-term debt, accounts payable, and other accrued liabilities. At December 31, 2007, the Borough's total liabilities are \$609,423 and consist of long-term debt, accounts payable, and other accrued liabilities.

There were no capital asset purchases or improvements through the Solid Waste/Recycling/Composting in 2008.

The Sewer System was eliminated in 2007 with the sale of the sanitary sewer system lines/equipment to the Municipal Authority of Westmoreland County. All cash in hand, as well as the \$3,425,000 received for the lines/equipment, was incorporated into a general purpose fund (Super Fund). The cash assets (\$3,425,000) from the sale of the lines/equipment are restricted for use with the adoption of Ordinance No. 3476. The Municipal Building/Garage Complex site which is titled under the now defunct White Oak Borough Authority was not part of the assets sales agreement. The Borough of White Oak retained title to these sites. The actual transfer of these monetary and fixed assets will take place in 2009.

There were no capital asset purchases or improvements through the Pool/Park Fund in 2008.

The Borough authorized the engineering firm to investigate the White Oak Athletic Association site for possible installation of insulation. This inspection was started in November and then in December, 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.

The Borough also authorized the engineering firm to complete design work for upgrades to the Larry Bishop Playground aka Bryn Mawr Playground. The cost of these services is \$3,891. The Borough had applied for a grant several years ago for construction of a skate park, but the project was dropped. DCNR was approached and asked if the funds could be transferred to rehab this facility. DCNR authorized the transfer of these funds. The Borough is still waiting for final approval of the project.

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 on this project. In 2008, there were professional services fees associated with the project of \$3,359 in engineering fees, \$721 in geotechnical core drilling/analysis report, and \$4,394 in surveying fees. These services totaled \$8,474 in 2008.

In late 2007, the Borough received proposal for replacement of the flat roof on the HHP Pool Bath House. After receiving the proposal, Council discussed modification of the structure with a pitched roof. Specifications were drawn up by the engineering firm and bids were received. Unfortunately, the bids projections came in a lot higher than anticipated (\$100,000). As there were not sufficient funds to proceed with the project, the bids were rejected. It is the Borough's position that the project is worthwhile and will keep the specs on hand. If state or federal grant/stimulus funding becomes available in the future, the project is what would be considered "shovel ready."

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<sup>1</sup> Page 1 of 2008 Audit, Total Net Assets

<sup>2</sup> Page 1 of 2008 Audit, Invested in Capital Assets, Net of Related Debt

<sup>3</sup> Page 1 of 2008 Audit, Total Assets

<sup>4</sup> Page 1 of 2008 Audit, Total Liabilities



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

In conjunction with state liquid fuels monies being distributed the municipalities are required to have local bridges inspected via a third party contracted by the state. These inspections are completed every two (2) years and the cost of the inspection is deducted from the annual liquid fuels allocation. In 2007, the Borough was advised that some major work was needed on the Oakview Bridge. To determine the most cost efficient way to perform these repairs/upgrades, the engineering firm was asked to consult on the matter. The fee associated with this consultation is \$756. The Public Works Department should be making the necessary repairs/upgrades in 2009 during the summer months when the water level of the creek would be at its lowest level.

The General Fund added \$21,690 in infrastructure value and \$56,069 in capital assets in 2008. The breakdown is as follows:

Equipment

Public Safety Equipment (holding cell surveillance equipment, computer)	\$ 2,689
Public Safety Vehicle (2- Dodge Chargers, 3 year lease to purchase)	\$ 53,380

Infrastructure

The infrastructure projects included, storm sewers (SS), catch basins (CB), as well as a new fill cap/tube for the underground fuel tank.

Project No.	Description	Cost
08-01	Fuel Tanks – Watertight spill, coaxial adapter, cap	\$ 1,688
08-02	Kelly Street – Storm Sewer	8,765
08-03	Kansas Ave./Race Alley Catch Basin	961
08-04	Mohawk Drive @ Coulter Road Storm Sewer	1,135
08-05	Circle Drive/Midway Drive Catch Basin	1,662
08-06	Tangleview Drive (112) Catch Basin	822
08-07	Lower Heckman Road Storm Sewer	1,159
08-08	Summitt Street/Foster Street Catch Basin	703
08-09	Broadway Catch Storm Sewer	3,391
08-10	Race Alley/Delaware Avenue Catch Basin	799
08-11	Poinsettia Drive (2412) Catch Basin	605
<b>TOTAL</b>		<b>\$21,690</b>

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

Note that the Non-Uniformed Pension Plan, Police Pension Plan, and Retired Employee Benefit Fund are not considered 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 assets of these funds are \$4,667,329<sup>5</sup> at December 31, 2008, and \$4,731,618 at December 31, 2007.

OTHER FINANCIAL HIGHLIGHTS

**Government –Wide Financial Statements**

Program revenues for fiscal year 2008 of \$1,120,776<sup>6</sup> consist mainly of charges for services (70%) which relate mainly to solid waste billing. General revenues of \$3,030,146<sup>7</sup> consist mainly of real estate and earned income

<sup>5</sup> Page 13 of 2008 Audit, Combined End of Year Total

<sup>6</sup> Page 2 of 2008 Audit, Total Program Revenues

<sup>7</sup> Page 2 of 2008 Audit, Total General Revenues

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

taxes. Expenses totaled \$4,129,174<sup>8</sup> 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, 2008 is a positive \$21,748.<sup>9</sup> For the government-wide financial statements, transfers have been eliminated. Note the substantial reduction in the general revenues from 2007 to 2008. This was due to the one-time revenue (\$3,425,000) of the sale of the sanitary sewer system.

Program revenues for fiscal year 2007 of \$1,040,837 consist mainly of charges for services (65%) which relate mainly to solid waste billing. General revenues of \$4,664,285 consist mainly of real estate and earned income taxes. Expenses totaled \$3,873,703 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, 2007 is a positive \$1,831,419. For the government-wide financial statements, transfers have been eliminated.

**Fund Statements – Page 5 of Report**

For the year ending December 31, 2008, real estate and other taxes (EIT, BP, MT, RAD) account for the majority of the Borough revenues (75%). Without the RAD and Miscellaneous Taxes being included that percent is reduced to 68%. Similarly, for the year ending December 31, 2007, real estate and all other taxes accounted for 54%.

**Real Estate Taxes and Assessed Value**

The Borough levies millage rates for general purposes and fire protection. The special levy for fire protection can only be used for that specific purpose. Below is a breakdown of the assessed value and millage rates by category:

	2007	2008
Assessed Value 12/31	\$333,697,588	\$335,899,388*
Purpose		
General	4.16	4.16
Fire	0.00	0.00
Total	4.16	4.16
Face Value of Statement	\$1,388,182	\$1,394,635

\*Page 26 of Financial Statement and required Supplementary and Additional Information

The taxable assessed value shows an increase of \$2,201,800 from 2007 to 2008. This represents an increase of \$6,453 in the face value for real estate tax.

Based on 2008 information, approximately 86% of the real estate tax levy is paid at the 2% discount rate; another 6% was paid at face, while 3% was paid at penalty. This left approximately 4% that is turned over to the Delinquent Real Estate Tax Collector (Keystone Municipal Collections of which about half would be considered collectible. A large number of the delinquent accounts are properties that there is no current mailing address for).

The Borough turned a total of \$50,298 for 2007 and \$56,568 for 2008 in tax levies over to Keystone Municipal Collections, the Borough's Delinquent/Liened Real Estate Tax Collector.

The dollar value for delinquent taxes represents 4.18% of the face value as of December 31, 2008. By law, the delinquent accounts are to be turned over to the delinquent collector at year-end. It takes the current collector approximately one month to review the tax counterfoils and prepare the delinquent listing.

The 2008 median value of a residential home within White Oak Borough is \$72,250. The 2009 median value of a residential home within White Oak Borough shows a very slight increase to \$72,350. This value is listed on the Allegheny County Website – Municipal Map, Community Profile Page.

<sup>8</sup> Page 2 of 2008 Audit, Total Expenses Primary Government

<sup>9</sup> Page 2 of 2008 Audit, Change in Net Assets

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

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

**Proprietary Funds – Expenses vs. Revenues <sup>10</sup>**

**2008**

Fund Name	Expenses	Revenues	+/- Expenses Over Revenues
Swimming Pool	\$146,726.00	\$ 81,941.00	+\$64,785.00
Sewer*	11,119.00	0.00	+ 11,119.00
Solid Waste Disposal	529,339.00	574,164.00	- 44,825.00
Other Recreation Fund	10,802.00	10,878.00	- 76.00

Note: Sewer Fund will be completely eliminated in 2009. Remaining Fixed Assets (real property/money) will be reassigned to the appropriate fund(s).

**2007**

Fund Name	Expenses	Revenues	+/- Expenses Over Revenues
Swimming Pool	\$147,059.00	\$ 72,551.00	+\$ 74,508.00
Sewer*	238.00	123,716.00	- 123,478.00
Solid Waste Disposal	460,440.00	451,360.00	+ 9,080.00
Other Recreation Fund	8,870.00	11,356.00	- 2,486.00

\*This is the last year the Sewer Fund will be listed as the Borough sold the system in January 2007. This fund was not budgeted in 2007.

**General Fund Comparison and Budgeted and Actual<sup>11</sup>**

The 2008 revenues were \$364,811 more than the adopted Budget. The majority of the excess (\$250,477) was from the various taxes collected but all categories had collections over the budgeted value.

The 2008 actual expenditures were \$253,773 less than the adopted Budget. The majority of this is \$248,796 and is attributed to the Public Works categories (Wages \$71,650; Benefits \$24,930; Vehicle Purchase \$24,000; Paving \$95,800).

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, playground, public works projects, and equipment purchases into the Capital Projects for future purchases, upgrade improvements, and/or development.

The 2007 revenues were \$135,536 more than the adopted Budget. The majority of the excess of \$226,535 was from the various taxes collected. There was a shortfall (\$176,005) in one category, Interest, Rents, and Royalties, that was due to the fact that the Certificate of Deposit, investing the proceeds from the sale of the sewer system, being taken out for a longer term than originally planned and interest income earned credited to the 2008 Revenues. Taking this into consideration, revenues would have been \$311,500 more than budgeted.

The 2007 actual expenditures were \$64,662 more than budgeted. The majority of this is attributed to the Public Works categories for vehicle distribution/maintenance.

**Capital Assets**

The Borough's investment in capital assets as of December 31, 2008, net of accumulated depreciation, amounted to \$2,514,660.<sup>12</sup> Capital assets as of December 31, 2007, net of accumulated depreciation, amounted to \$2,634,512.

<sup>10</sup> Page 10, Statement of Revenues, Expenses, and Changes in Net Assets (Proprietary Fund)

<sup>11</sup> Page 7 of 2008 Audit

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

Capital assets consist primarily of land, buildings, machinery and equipment, and infrastructure. Detailed information concerning capital assets can be found in the Note 4 of the financial statements.

**Capital Leases (pg 31)**

In July 2008, the Borough entered into a lease to purchase with Ford Motor Credit in the amount of \$53,373 with an interest rate of 5.95% for a period of 36 months. The purpose of this lease to purchase agreement was to secure two police vehicles. Outstanding principal as of December 31, 2008 is \$34,544 with interest due of \$3,112. Installments of \$18,828 are made annually over the course of the lease.

In August 2007, Borough entered into a lease to purchase with Ford Motor Credit in the amount of \$18,955 with an interest rate of 6.9% for a period of 36 months. The purpose of this lease to purchase agreement was to secure an SUV police vehicle. Outstanding principal as of December 31, 2007 was \$9,794 with interest due of \$676. Installments of \$10,470 were made annually over the course of the lease.

**Long-Term Debt (Pgs 29-32)**

The Borough currently has no outstanding bond issues; therefore, the Borough has no bond rating at this time. The Borough does have several loans that have a term of five (5) years or longer.

Loan	Issue Date	Original Value	Interest Rate	Term (Years)	Maturity Date	Principal Balance as of 12/08	Interest as of 12/08	Remaining Balance as of 12/08
WO#1 – fire truck	Oct 03	\$150,000	2.05	15 years	Oct 2018	\$103,340	\$11,712	\$115,052
WO#1 – fire truck	Nov 03	86,000	3.60	5 years	Nov 2008	0	0	0
WOB – police fleet	April 04	75,000	2.37	5 years	April 2009	15,000	356	15,356
WO#1 – fire truck	Jan 05	150,000	4.25	5 years	Jan 2010	37,948	870	38,818
WOB – pickup trk	March 07	30,494	3.56	5 years	March 2012	24,395	2,170	26,565
<b>TOTAL</b>						180,683	15,108	195,791

At December 31, 2008, the Borough had \$411,995 in long-term debt outstanding including compensated absences of \$171,935. Although the total loan/capital lease debt is \$225,021, only \$73,736 was obtained by the Borough for capital purchases. The balance of \$151,285 was obtained and secured by the Borough for the purchase of fire equipment.

The total outstanding debt (loans and compensated absences) as of December 31, 2008 represents a small per household burden of \$112 (3,678 occupied units, 2000 census). This also presents a small per capita burden of \$49.71 (8,288 – 2004 Census {Estimated}). Detailed information about the Borough's outstanding debt can be found in Note 6 of the financial statements.

At December 31, 2007, the Borough had \$433,751 in long-term debt outstanding including compensated absences of \$171,935. This includes the Allegheny County – Authority for Improvements to Municipalities loan, secured in March 2007, in the amount of \$30,494 used to purchase a pickup truck through the Westmoreland County Council of Governments co-operative purchasing program. This is a five-year loan with an interest rate of 3.56%. Although the total loan debt is \$261,816, only \$60,494 was obtained by the Borough for capital purchases. The balance of \$201,322 was obtained and secured by the Borough for the purchase of fire equipment.

The total outstanding debt (loans and compensated absences) as of December 31, 2007 represented a small per household burden of \$117.93 (3,678 occupied units, 2000 census). This also presented a small per capita burden of \$52.33 (8,288 – 2004 Census {Estimated}). Detailed information about the Borough's outstanding debt can be found in Note 6 of the 2007 financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

There are several other loans that the Borough has verbally/morally and or collateralized real property or financial funding for the fire companies and White Oak Athletic Association (WOAA).

The loan to WOAA is due February 20, 2011 with an interest rate of 8.5%.

These loan (principal/interest) payments are made by the Borough although the Borough has not guaranteed them. It should also be noted that the Borough is not required to list these on the debt statement.

**Fiduciary Funds**

Fiduciary Funds encompass the Non-Uniformed Pension Plan, Police Pension Plan, and the Retired Employee Benefit Fund. The assets from these funds can not be used by the Borough to finance any operations.

Non-Uniformed Pension

	2007	2008
Beginning Balance* (Cash)	\$1,312,993	\$1,265,970
<b>REVENUES</b>		
Interest Income**	88,235	56,749
Unrealized Gains/Losses	-20,131	-57,420
Foreign Casualty Ins.	59,952	60,309
<b>MMO</b>		
Employee Contributions	20,029	19,842
<b>Total Revenues</b>	<b>\$ 148,085</b>	<b>\$ 79,480</b>

EXPENDITURES	2007	2008
Administration Fees (Principal & Mockenhaupt)	\$ 4,814	\$ 6,676
Pension Benefits – Monthly	21,567	21,567
Pension Benefits-Lump Sum	168,727	0
<b>Total Expenditures</b>	<b>195,108</b>	<b>28,243</b>
<b>Ending Balance***</b>	<b>1,265,970</b>	<b>1,317,207</b>
<b>Net Asset Change</b>	<b>-47,023</b>	<b>-51,237</b>
<b>MMO Requirement</b>		
	<b>\$ 51,722</b>	<b>\$ 48,777</b>

\* Balance as of January 1, 2008 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$1,041,429. The remainder of the beginning balance of \$183,127 is the value of the stock at the beginning of 2008.

\*\* The annual interest income rate of return for 2008 was 5.4% and 2007 was 5.37%.

\*\*\* Balance as of December 31, 2008 in General Investment was \$1,243,115 while the year-end balance in the value of the Principal Financial Group Stock Account was \$74,092.

Additional Notes: The Non-Uniformed Pension Plan had an allocated balance of \$204,767 for retirees/non-retired participants at the beginning of 2008 and \$215,005 for retirees/non-retired participants at the end of 2008. 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 2008 was \$839,662 and at the end of 2008 was \$936,166.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

The amount received from Foreign Fire Insurance was at a level sufficient enough to cover the MMO (\$48,777) for 2008.

The January 1, 2007 Actuarial Valuation Report, dated March 27, 2008, has an unfunded actuarial accrued liability of \$198,735. A new Actuarial Valuation Report will be completed for the year of 2009.

It is anticipated that an increase in the annual MMO will be necessary to make up the decreased value in the stock held by the fund.

**Police Pension Plan**

	2007	2008
Beginning Balance* (Cash)	\$ 3,206,734	\$ 3,372,892
<b>REVENUES</b>		
Interest Income**	316,827	205,277
Unrealized Gains/Losses	-15,116	-250,479
Foreign Casualty Ins.	61,891	51,213
MMO		
Employee Contributions		
<b>Total Revenues</b>	<b>\$ 363,602</b>	<b>\$ 6,011</b>

EXPENDITURES	2007	2008
Administration Fees (Principal/Mockenhaupt)	\$ 7,755	\$ 11,980
Pension Benefits	189,689	209,171
Total Expenditures	197,444	221,151
Ending Balance****	3,372,892	3,157,752
Net Asset Change	166,158	-215,140
MMO Requirement	\$ 61,891	\$ 51,213

\* Balance as of January 1, 2008 is comprised of funds to assigned investments with a guaranteed rate of return or minimal risk factor. That value is \$2,646,551. The remainder of the beginning balance of \$726,341 is the value of the stock at the beginning of 2008.

\*\* The annual interest income rate of return for 2008 was 5.55% and for 2007 was 5.65%.

\*\*\* Balance as of December 31, 2008 in General Investment was \$2,908,775 while the year-end balance in the value of the Principal Financial Group Stock Account was \$248,977.

**Additional Notes:**

The Police Pension Plan had an allocated balance \$1,333,637 for retirees/non-retired participants at the beginning of 2008 and at the end of 2008 the allocated balance for retirees/non-retired participants is \$1,313,541. 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 2008 was \$2,471,851 and at the end of the year the non-allocated balance was \$2,527,285.

The amount received from Foreign Casualty Insurance was at a level sufficient enough to cover the MMO (\$51,213) for 2008.

The January 1, 2007 Actuarial Valuation Report, dated March 14, 2008, indicates the plan has an actuarial accrued over-funded liability of \$529,987. A new Actuarial Valuation Report will be completed for the year of 2009.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

Retired Employee Benefit Fund

With regard to life insurance benefits, the Borough holds funds in a Certificate of Accrual on Treasurer Securities U.S. Strips in the amount of \$4,000 (matures 2/12); a Certificate of Deposit. There was also a DUE TO from the General Fund in the amount of \$4,212 which was transferred to the new account.

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

<i>\$2,000.00 Cash Benefit</i>	<i>\$5,000.00 Paid Up Life Insurance</i>
2012-1; 2017-2; 2022-1; 2023-2; 2025-1; 2026-1; 2037-1	2008-1; 2015-1; 2018-1; 2023-1 2026-1; 2029-1

and the premium for the medical, dental, vision, and term-life insurance for retired police officers. The medical, vision, and dental would be through age 65 (retired officer and spouse) for whenever eligible for Medicare and the term-life insurance is paid for, for the remainder of the retired officers' lives.

An Actuarial Study was completed in late 2006 and based on the above, the Borough needs to start setting aside \$404 each year for the next 30 years to meet the current liability.

Based on the Actuarial Evaluation secured in 2006 for the Post-Retirement Benefits, the Borough needs to allocate \$75,215 on an annual basis for the next 30 years.

There are also several retired officers and/or spouses that the Borough is responsible for providing these benefits to. A spouse will be covered through the end of December 2010 and annual costs are approximately \$5,000. Our future liability which will be funded through the General Fund is \$10,000 based on current premium rates. We have another officer and spouse that the Borough, under a separate agreement, was required to provide hospitalization, dental, and vision through November 2007 and his spouse through November 2008. This was allocated under the General Fund not through the newly created Post Retirement Benefit Fund. The Borough funded these obligations on an annual basis through an allocation within the General Fund - \$8,040 for 2007 and in 2008 with an allocation of \$17,000.

Under a Special Settlement and Mutual Release Agreement, the Borough is required to provide hospitalization, dental, and vision coverage to a spouse if the spouse is no longer covered by a similar benefit (at no cost). A spouse is eligible for Medicare coverage in January 2015. If for some reason the spouse would be required to contribute toward the premium or if the medical coverage was lost, the potential liability to the Borough would be \$5,000. annually or approximately \$35,000 until eligible for Medicare. This potential liability is based on current premium rates. To date, that spouse currently has coverage through her current employment.

Funds to cover these future liabilities for all retirees after July 2007 are being set aside in a special fund (not an irrevocable trust) to cover these expenses.

	2007	2008 (pg 14)
Beginning Balance		
Checking		\$ 87,878
Certificate of Deposit	\$ 4,754	4,878
Due from GF	4,211	0
Total Beginning Balance	8,965	92,756
Transfer from Other Funds	82,539	0
Employer Contributions	0	102,435
Interest Income	1,252	2,057
Total Revenues	\$ 83,791	\$104,492

\*ARC – Annual Required Contribution

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
BOROUGH OF WHITE OAK  
DECEMBER 31, 2008**

Expenditures	2007	2008
\$2000 Cash Benefit Upon Retirement	\$ 0	\$ 0
\$5000 Paid Up Policy Upon Retirement	0	0
Medical Benefits (Hospitalization, Dental, Vision, Term Life)	0	0
Transfer to GF – cover current year expenses		4,878
Total Expenditures	0	4,878
Fund Balance	\$ 92,756	\$192,370

All costs associated with these benefits for any employee retiring after July 1, 2007 will be covered through this fund. In 2008, a Certificate of Deposit that was established by the now defunct Authority for the purpose of covering unemployment compensation claims matured. As this Certificate of Deposit was not included in the Sewer Fund Account established by the Borough after the de-certification of the Authority, the monies were assigned to the Post-Retirement Fund and used to cover current year expenses for retired employees/spouse as there were no funds specially established to cover the costs associated with these benefits other than through an annual General Fund allocation.

The Borough will be conducting a new actuarial study to comply with current regulations. This study must be completed by December 31, 2009.

Deferred Compensation Plan – 457B

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.

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) as 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, 2008, current and retired employees have a combined assets value of \$254,941.

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.

N. J. Greenland  
Borough Secretary



# BOROUGH OF WHITE OAK

## STATEMENT OF NET ASSETS

DECEMBER 31, 2008

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,137,635	\$ 263,404	\$ 6,401,039
Investments	-	145,899	145,899
Receivables:			
Taxes	359,005	-	359,005
Sewer charges	-	2,897	2,897
Other, net of allowance for doubtful accounts of \$19,923	22,468	112,896	135,364
Internal balances	246,518	(246,518)	-
Net pension asset	143,655	-	143,655
Capital assets, not being depreciated	720,018	88,848	808,866
Capital assets, net of accumulated depreciation	1,129,093	576,701	1,705,794
<b>Total Assets</b>	<b>8,758,392</b>	<b>944,127</b>	<b>9,702,519</b>
<b>Liabilities</b>			
Liabilities:			
Accounts payable and other current liabilities	91,209	45,319	136,528
Accrued liabilities	72,347	3,200	75,547
Non-current liabilities:			
Due within one year	89,795	-	89,795
Due in more than one year	322,200	-	322,200
<b>Total Liabilities</b>	<b>575,551</b>	<b>48,519</b>	<b>624,070</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,765,378	665,549	2,430,927
Restricted for:			
Emergency or catastrophic losses	3,593,923	-	3,593,923
Liquid fuels	101,048	-	101,048
Fire protection tax	170,533	-	170,533
Capital projects	381,748	-	381,748
Unrestricted	2,170,211	230,059	2,400,270
<b>Total Net Assets</b>	<b>\$ 8,182,841</b>	<b>\$ 895,608</b>	<b>\$ 9,078,449</b>

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

# BOROUGH OF WHITE OAK

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<u>Governmental activities:</u>							
General government	\$ 719,325	\$ 46,976	\$ 84,631	\$ -	\$ (587,718)	\$ -	\$ (587,718)
Public safety	1,737,326	68,374	55,360	-	(1,613,592)	-	(1,613,592)
Public works	890,801	3,538	193,614	-	(693,649)	-	(693,649)
Culture and recreation	75,200	-	1,300	-	(73,900)	-	(73,900)
Conservation and development	1,598	-	-	-	(1,598)	-	(1,598)
Interest on long-term debt	6,938	-	-	-	(6,938)	-	(6,938)
Total governmental activities	3,431,188	118,888	334,905	-	(2,977,395)	-	(2,977,395)
<u>Business-type activities:</u>							
Sewer services	11,119	-	-	-	(11,119)	-	(11,119)
Solid waste services	529,339	574,164	-	-	44,825	-	44,825
Recreation	10,802	10,878	-	-	76	-	76
Heritage Hill Park	146,726	81,941	-	-	(64,785)	-	(64,785)
Total business-type activities	697,986	666,983	-	-	(31,003)	-	(31,003)
<b>Total Primary Government</b>	<b>\$ 4,129,174</b>	<b>\$ 785,871</b>	<b>\$ 334,905</b>	<b>\$ -</b>	<b>(2,977,395)</b>	<b>(31,003)</b>	<b>(3,008,398)</b>
<b>General revenues:</b>							
<u>Taxes:</u>							
Property taxes, levied for general purposes, net of uncollectibles					1,360,344	-	1,360,344
Earned income tax					753,804	-	753,804
Business privilege tax					224,134	-	224,134
RAD sales tax					156,998	-	156,998
Other taxes levied for general purposes					109,894	-	109,894
Investment earnings					259,385	36,604	295,989
Franchise fees					122,805	-	122,805
Gain on sale of asset					1,300	-	1,300
Transfer from retirement benefit fund					4,878	-	4,878
Transfers					287,454	(287,454)	-
Total general revenues, special items, and transfers					3,280,996	(250,850)	3,030,146
<b>Change in Net Assets</b>					303,601	(281,853)	21,748
<b>Net Assets:</b>							
Beginning of year					7,879,240	1,177,461	9,056,701
End of year					8,182,841	895,608	9,078,449

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

# BOROUGH OF WHITE OAK

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2008

	General Fund	Super Fund	Other Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 891,358	\$ 4,556,675	\$ 689,602	\$ 6,137,635
Receivables (net, where applicable, of allowance for uncollectibles):				
Taxes	358,593	-	412	359,005
Other	22,468	-	-	22,468
Due from other funds	272,003	-	6,079	278,082
<b>Total Assets</b>	<b>\$ 1,544,422</b>	<b>\$ 4,556,675</b>	<b>\$ 696,093</b>	<b>\$ 6,797,190</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 50,301	\$ 12,500	\$ 28,408	\$ 91,209
Accrued liabilities	72,347	-	-	72,347
Due to other funds	17,208	-	14,356	31,564
Deferred revenue	320,037	-	-	320,037
Total Liabilities	459,893	12,500	42,764	515,157
<b>Fund Balance:</b>				
Reserved for:				
Emergency or catastrophic losses	-	3,593,923	-	3,593,923
Unreserved, undesignated, reported in:				
General Fund	1,084,529	-	-	1,084,529
Capital Projects Fund	-	-	381,748	381,748
Special Revenue Funds	-	950,252	271,581	1,221,833
Total Fund Balance	1,084,529	4,544,175	653,329	6,282,033
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,544,422</b>	<b>\$ 4,556,675</b>	<b>\$ 696,093</b>	<b>\$ 6,797,190</b>

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

# BOROUGH OF WHITE OAK

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2008

**Total Fund Balance - Governmental Funds** \$ 6,282,033

Amounts reported for governmental activities in the statement of net assets 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 \$3,739,781 and the accumulated depreciation is \$1,890,670. 1,849,111

Property taxes and earned income taxes receivable will be collected next year, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 320,037

The net pension asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds. 143,655

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	\$ (225,020)	
Compensated absences	<u>(186,975)</u>	<u>(411,995)</u>

**Total Net Assets - Governmental Activities** \$ 8,182,841

The notes to the 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, 2008

	General Fund	Super Fund	Other Governmental Funds	Total
<b>Revenues:</b>				
Taxes	\$ 2,564,654	\$ -	\$ -	\$ 2,564,654
Licenses and permits	149,339	-	-	149,339
Fines and forfeits	43,973	-	-	43,973
Intergovernmental	61,038	-	193,614	254,652
Charges for services	45,797	-	-	45,797
Interest, rents, and royalties	24,858	227,126	7,401	259,385
Miscellaneous	80,253	-	2,584	82,837
Total revenues	2,969,912	227,126	203,599	3,400,637
<b>Expenditures:</b>				
Current:				
General government	535,755	-	-	535,755
Public safety	1,690,729	-	46,216	1,736,945
Public works	600,848	100,000	198,047	898,895
Culture and recreation	75,200	-	-	75,200
Conservation and development	1,598	-	-	1,598
Miscellaneous	63,775	-	-	63,775
Capital outlay	-	-	31,475	31,475
Debt service:				
Principal	42,990	-	66,134	109,124
Interest	1,205	-	5,733	6,938
Total expenditures	3,012,100	100,000	347,605	3,459,705
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(42,188)	127,126	(144,006)	(59,068)
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	1,300	-	-	1,300
Proceeds from issuance of debt	72,329	-	-	72,329
Transfers in	229,928	228,847	342,790	801,565
Transfers out	(322,183)	(187,050)	-	(509,233)
Total other financing sources (uses)	(18,626)	41,797	342,790	365,961
<b>Net Change in Fund Balance</b>	(60,814)	168,923	198,784	306,893
<b>Fund Balance:</b>				
Beginning of year	1,145,343	4,375,252	454,545	5,975,140
End of year	\$ 1,084,529	\$ 4,544,175	\$ 653,329	\$ 6,282,033

The notes to the 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, 2008

<b>Net Change in Fund Balance - Governmental Funds</b>			<b>\$ 306,893</b>
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:			
	Capital outlays, net of deletions	\$ 46,529	
	Less: depreciation expense, net of deletions	<u>(116,669)</u>	(70,140)
Some taxes will not be collected until after the Borough's year-end; they are not considered "available" revenues in the governmental funds. Deferred revenues decreased by this amount during the year.			
			40,520
The issuance of the 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.			
			(72,329)
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 assets. This is the amount of principal repaid on long-term obligations during the year.			
			109,124
Governmental funds do not report the net pension assets, as they are not considered a financial resource. The net pension asset was increased by this amount during the year.			
			4,572
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.			
			<u>(15,039)</u>
<b>Change in Net Assets of Governmental Activities</b>			<b><u>\$ 303,601</u></b>

The notes to the 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, 2008

	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
<b>Revenues:</b>			
Taxes	\$ 2,280,961	\$ 2,531,438	\$ 250,477
Licenses and permits	133,600	149,339	15,739
Fines and forfeits	29,600	43,973	14,373
Intergovernmental	60,126	61,038	912
Charges for services	31,725	45,797	14,072
Interest, rents, and royalties	16,622	24,858	8,236
Miscellaneous	41,000	102,002	61,002
<b>Total revenues</b>	<b>2,593,634</b>	<b>2,958,445</b>	<b>364,811</b>
<b>Expenditures:</b>			
General government	508,557	481,698	26,859
Public safety	1,708,948	1,685,655	23,293
Public works	849,644	600,848	248,796
Culture and recreation	81,693	75,200	6,493
Conservation and development	1,100	1,598	(498)
Miscellaneous	55,000	63,775	(8,775)
Debt service:			
Principal	-	42,990	(42,990)
Interest	1,800	1,205	595
<b>Total expenditures</b>	<b>3,206,742</b>	<b>2,952,969</b>	<b>253,773</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(613,108)</b>	<b>5,476</b>	<b>618,584</b>
<b>Other Financing Sources (Uses):</b>			
Sale of capital assets	10,000	1,300	(8,700)
Proceeds from issuance of debt	-	72,329	72,329
Transfers in	278,500	176,282	(102,218)
Transfers out	(268,450)	(404,933)	(136,483)
<b>Total other financing sources (uses)</b>	<b>20,050</b>	<b>(155,022)</b>	<b>(175,072)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (593,058)</b>	<b>\$ (149,546)</b>	<b>\$ 443,512</b>

The notes to the 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 SUPER FUND - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2008

	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
<b>Revenues:</b>			
Interest, rents, and royalties	\$ 112,050	\$ 227,126	\$ 115,076
Total revenues	112,050	227,126	115,076
<b>Expenditures:</b>			
Public works	216,200	87,500	128,700
Total expenditures	216,200	87,500	128,700
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(104,150)</b>	<b>139,626</b>	<b>243,776</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	228,847	228,847
Transfers out	(187,050)	(187,050)	-
Total other financing sources (uses)	(187,050)	41,797	228,847
<b>Net Change in Fund Balance</b>	<b>\$ (291,200)</b>	<b>\$ 181,423</b>	<b>\$ 472,623</b>

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



# BOROUGH OF WHITE OAK

## STATEMENT OF NET ASSETS PROPRIETARY FUND

DECEMBER 31, 2008

Assets	Business-Type Activities - Enterprise Funds				Total
	Major Funds			Other Fund	
	Swimming Pool Fund	Sewer Fund	Solid Waste Disposal Fund	Recreation Fund	
Current assets:					
Cash and cash equivalents	\$ 42,436	\$ 100	\$ 214,198	\$ 6,670	\$ 263,404
Investments	-	145,899	-	-	145,899
Receivables:					
Sewer charges	-	2,897	-	-	2,897
Other, net of allowance for doubtful accounts of \$19,923	-	-	112,896	-	112,896
Due from other funds	-	8,729	51,023	-	59,752
<b>Total current assets</b>	<b>42,436</b>	<b>157,625</b>	<b>378,117</b>	<b>6,670</b>	<b>584,848</b>
Non-current assets:					
Capital assets	1,210,260	540,632	120,030	-	1,870,922
Less accumulated depreciation	(695,532)	(469,392)	(40,449)	-	(1,205,373)
<b>Total non-current assets</b>	<b>514,728</b>	<b>71,240</b>	<b>79,581</b>	<b>-</b>	<b>665,549</b>
<b>Total Assets</b>	<b>557,164</b>	<b>228,865</b>	<b>457,698</b>	<b>6,670</b>	<b>1,250,397</b>
<b>Liabilities</b>					
Liabilities:					
Accounts payable and other current liabilities	910	-	44,409	-	45,319
Accrued liabilities	-	3,200	-	-	3,200
Due to other funds	141,100	131,710	33,460	-	306,270
<b>Total Liabilities</b>	<b>142,010</b>	<b>134,910</b>	<b>77,869</b>	<b>-</b>	<b>354,789</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	514,728	71,240	79,581	-	665,549
Unrestricted	(99,574)	22,715	300,248	6,670	230,059
<b>Total Net Assets</b>	<b>\$ 415,154</b>	<b>\$ 93,955</b>	<b>\$ 379,829</b>	<b>\$ 6,670</b>	<b>\$ 895,608</b>

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

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds				Total
	Major Funds			Other Fund	
	Swimming Pool Fund	Sewer Fund	Solid Waste Disposal Fund	Recreation Fund	
<b>Operating Revenues:</b>					
Charges for services	\$ 81,473	\$ -	\$ 571,601	\$ 10,878	\$ 663,952
Concessions	300	-	-	-	300
Other operating revenue	168	-	2,563	-	2,731
<b>Total operating revenues</b>	<b>81,941</b>	<b>-</b>	<b>574,164</b>	<b>10,878</b>	<b>666,983</b>
<b>Operating Expenses:</b>					
Employee services	48,235	-	-	-	48,235
Employee benefits and taxes	9,707	-	-	-	9,707
Purchase of services	-	-	518,773	3,899	522,672
Operating material and supplies	28,075	-	-	5,141	33,216
Administrative expenses	30,404	33	-	1,762	32,199
Insurance	2,245	-	-	-	2,245
Depreciation and amortization	28,060	11,086	10,566	-	49,712
<b>Total operating expenses</b>	<b>146,726</b>	<b>11,119</b>	<b>529,339</b>	<b>10,802</b>	<b>697,986</b>
<b>Net Operating Gain (Loss)</b>	<b>(64,785)</b>	<b>(11,119)</b>	<b>44,825</b>	<b>76</b>	<b>(31,003)</b>
<b>Nonoperating Revenues (Expenses):</b>					
Net transfers in/(out)	-	(249,454)	(38,000)	-	(287,454)
Interest income	-	29,351	7,253	-	36,604
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>(220,103)</b>	<b>(30,747)</b>	<b>-</b>	<b>(250,850)</b>
<b>Change in Net Assets</b>	<b>(64,785)</b>	<b>(231,222)</b>	<b>14,078</b>	<b>76</b>	<b>(281,853)</b>
<b>Net Assets:</b>					
Beginning of year	479,939	325,177	365,751	6,594	1,177,461
End of year	<b>\$ 415,154</b>	<b>\$ 93,955</b>	<b>\$ 379,829</b>	<b>\$ 6,670</b>	<b>\$ 895,608</b>

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

# BOROUGH OF WHITE OAK

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2008

	Swimming Pool Fund	Sewer Fund	Solid Waste Disposal Fund	Recreation Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers	\$ 133,186	\$ -	\$ 523,477	\$ 10,878	\$ 667,541
Payments to employees	(57,942)	(1,718)	-	-	(59,660)
Payments to suppliers	(60,553)	(33)	(528,732)	(10,802)	(600,120)
Net cash provided by (used in) operating activities	14,691	(1,751)	(5,255)	76	7,761
<b>Cash Flows From Non-Capital Financing Activities:</b>					
Interfund transfers	-	(249,454)	(38,000)	-	(287,454)
<b>Cash Flows From Investing Activities:</b>					
Purchase of investments	-	(755)	-	-	(755)
Interest income received	-	29,351	7,253	-	36,604
Net cash provided by (used in) investing activities	-	28,596	7,253	-	35,849
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	14,691	(222,609)	(36,002)	76	(243,844)
<b>Cash and Cash Equivalents:</b>					
Beginning of year	27,745	222,709	250,200	6,594	507,248
End of year	\$ 42,436	\$ 100	\$ 214,198	\$ 6,670	\$ 263,404

(Continued)

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

# BOROUGH OF WHITE OAK

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

(Continued)

YEAR ENDED DECEMBER 31, 2008

	Swimming Pool Fund	Sewer Fund	Solid Waste Disposal Fund	Recreation Fund	Total
<b>Reconciliation of Net Operating Gain (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>					
Net operating gain (loss)	\$ (64,785)	\$ (11,119)	\$ 44,825	\$ 76	\$ (31,003)
Adjustments to reconcile net operating gain (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	28,060	11,086	10,566	-	49,712
Change in assets and liabilities:					
Due to other funds	51,245	(8,147)	4,361	-	47,459
Due from other funds	-	(1,960)	(58)	-	(2,018)
Sewer charges receivable	-	8,148	-	-	8,148
Other receivables	-	-	(50,629)	-	(50,629)
Accounts payable	171	-	(14,320)	-	(14,149)
Accrued liabilities	-	241	-	-	241
	79,476	9,368	(50,080)	-	38,764
Net cash provided by (used in) operating activities	\$ 14,691	\$ (1,751)	\$ (5,255)	\$ 76	\$ 7,761

(Concluded)

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

# BOROUGH OF WHITE OAK

## COMBINED STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2008

Assets	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
Investments (at fair value):				
Cash and cash equivalents	\$ -	\$ -	\$ 192,370	\$ 192,370
Common stock	74,092	248,977	-	323,069
Equity mutual funds	1,243,115	2,908,775	-	4,151,890
Total investments	1,317,207	3,157,752	192,370	4,667,329
<b>Total Assets</b>	1,317,207	3,157,752	192,370	4,667,329
<b>Liabilities</b>	-	-	-	-
<b>Net Assets Held in Trust:</b>				
(A schedule of funding progress for each plan is presented on page 37)	\$ 1,317,207	\$ 3,157,752	\$ 192,370	\$ 4,667,329

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

# BOROUGH OF WHITE OAK

## COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2008

	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
<b>Additions:</b>				
Contributions:				
Commonwealth	\$ 60,309	\$ 51,213	\$ -	\$ 111,522
Employer	-	-	102,435	102,435
Employee	19,842	-	-	19,842
Total contributions	80,151	51,213	102,435	233,799
Investment income (loss):				
Net depreciation in fair value of investments	(57,420)	(250,479)	-	(307,899)
Interest and dividends	56,749	205,277	2,057	264,083
Total investment income (loss)	(671)	(45,202)	2,057	(43,816)
Total additions	79,480	6,011	104,492	189,983
<b>Deductions:</b>				
Benefits	21,567	209,171	-	230,738
Administrative expense	6,676	11,980	-	18,656
Transfers to other funds	-	-	4,878	4,878
Total deductions	28,243	221,151	4,878	254,272
<b>Change in Net Assets</b>	51,237	(215,140)	99,614	(64,289)
<b>Net Assets:</b>				
Beginning of year	1,265,970	3,372,892	92,756	4,731,618
End of year	\$ 1,317,207	\$ 3,157,752	\$ 192,370	\$ 4,667,329

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

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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

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, 2008

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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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Borough has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 fund:

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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### 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.

### Super Fund

The Super Fund is composed of the principal from the sale of the sewer system. Per Ordinance 3476, 10% of the principal can be used for emergency or catastrophic losses on an annual basis with the unanimous vote of all seven elected officials. Use of more than 10% of the principal would require 51% of the electors voting on a referendum on the ballot. The Super Fund shall remain in existence for a minimum of 50 years.

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.

### Sewer Fund

The Sewer Fund previously accounted for the activities of the sanitary sewer system that was located within the Borough. On January 5, 2007, the Borough entered into an asset purchase agreement with the Municipal Authority of Westmoreland County (MAWC) to sell their wastewater system for \$3,425,000. By executing this agreement, the Borough did grant, convey, sell, assign, transfer, and set over to the MAWC the title and interest in their waste water system, including all existing contracts pertaining to it, as well as the Borough's title and interest in any easements during 2008. As of December 31, 2008, the Sewer Fund, while essentially inactive, was not yet formally closed.

### 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:

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### 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.

Additionally, the Borough reports the following fund types as Other Governmental Funds:

### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of certain revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the Borough include the Liquid Fuels Fund and the Fire Protection Tax Fund.

### Capital Projects Fund

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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 \$2,000 retirement benefit to qualified public works and sewer 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, 2008

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

### Budgets and Budgetary Accounting

In September of each year, the Borough's manager 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 for the Borough's manager 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 2008, the Borough budgeted all of its funds, except the Sewer Fund. 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, 2008:

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (149,546)
Adjustments:	
To adjust revenues and other financing sources to the modified accrual basis	65,113
To adjust expenditures and other financing uses to the modified accrual basis	<u>23,619</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ (60,814)</u>

The following is a reconciliation of the excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses for the Super Fund Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2008:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 181,423
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>(12,500)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 168,923</u>

### Expenditures in Excess of Appropriations

By function in the General Fund, conservation and development, miscellaneous, and debt principal expenditures exceeded the appropriations. In addition, the Liquid Fuels Fund had total expenditures in excess of appropriations by \$47,313, the Fire Protection Tax Fund had interest expenditures in excess of appropriations by \$4,647, and the Capital Project Fund had interest expenditures in excess of appropriations by \$1,086. These excess expenditures were funded by excess budgeted revenues, available fund balance, favorable expense variances, and transfers from other funds.

### 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

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statement 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. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions*,” 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 revenue 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 \$19,923.

### 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.

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

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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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 are entitled to 20 sick days per year with the right to accumulate 150 hours. 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.

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 120 days. Upon normal retirement, 30% of the accumulated sick days will be paid at the employee's regular base pay.

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 and sewage 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 (1275 hours max for administration and 1360 hours max for sewer employees). Administration and sewer 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 financial statements, compensated absences of \$186,975 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, as well as issuance costs, 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, 2008.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Reserved

Reserved is used to denote that portion of fund balance that is not available for expenditure appropriation or is legally segregated for a specific purpose. A reserved fund balance of \$3,593,923 exists at December 31, 2008 related to the Super Fund.

### Unreserved

Unreserved is used to denote that portion of the fund balance that is available for appropriation.

### Net Assets

The net assets are classified into three components – invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net assets consists of constraints placed on net assets use through external restrictions. The Borough had restricted assets of \$3,593,923 related to the Super Fund, \$101,048 related to the Liquid Fuels Fund, \$170,533 related to the Fire Protection Tax Fund, and \$381,748 related to the Capital Projects Fund at December 31, 2008.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### Estimates

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

### Pending Pronouncements

In June 2004, GASB issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*" This statement provides the accounting and reporting requirements for the benefit plans as well as requires that public sector employers accrue the cost of any postretirement healthcare or similar benefits (OPEB) they may offer to employees. Currently, the Borough recognizes the cost of other postemployment benefits on a pay-as-you-go basis. For the purpose of the government-wide financial statements, GASB Statement No. 45 requires that governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. This standard may require an actuarial valuation to be performed.

This change in accounting for GASB Statement No. 45 will be applicable in fiscal year 2009. The effect of implementation of this statement has not yet been determined.

## **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, 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

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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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, 2008, \$5,576,877 of the Borough's bank balance of \$6,326,877 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 \$6,312,821 as of December 31, 2008. \$145,899 of this carrying amount is comprised of certificate of deposits classified as investments on the statement of net assets. The remaining \$6,166,922 is classified as cash and cash equivalents on the statement of net assets.

In addition to the deposits noted above, included in cash and cash equivalents on the statement of net assets are investments with the Automated Government Money Trust (AGMT) of \$68,118. The fair value of the Borough's investments with AGMT, which is an external investment pool, is the same as the value of pooled shares.

Included in the Borough's statement of net assets cash amount is \$165,999 of cash equivalents which are invested in highly liquid pooled investment funds which can not be classified by risk category, as they are pools managed by others, which are not evidenced by specific securities and have the characteristics of mutual funds. With regard to these external investment pools, the fair value of the Borough's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that are not SEC registered are subject to oversight by the Commonwealth of Pennsylvania

**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. AGMT has a rating of AAAM by Standard & Poor's. As of December 31, 2008, the Borough's highly liquid pooled investment funds are not rated.

Pension Trust Fund investments are held separately from those of other Borough funds. Currently, \$4,151,890 of these investments is in pooled mutual funds through Principal Financial Group. These investments are carried at fair market value. Principal Financial

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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Group indicates from the general investment account an average effective maturity of 8.0 years; and therefore, they are subject to interest rate risk. These proprietary investments do not have an external rating and they are not subject to custodial credit risk. At December 31, 2008, the Borough also had Principal Financial common stock totaling \$323,069 in the pension funds.

The Retirement Trust Fund Investments are also held separately from those of other Borough funds. There is currently a checking account with a carrying amount of \$192,370. The entire balance was exposed to custodial credit risk at December 31, 2008.

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 4.16 mills. Taxable assessed value for 2008 real estate taxes was \$335,899,388, which is approximately 100% of the fair market value.

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 30, 2008 are assessed a 10% penalty. Any uncollected balances at January 31, 2009 were turned over for collection to an outside service.

The property tax calendar for 2008 was as follows:

2008 Millage rate adopted	December 17, 2007
2008 Bills dated	April 1, 2008
2008 Two percent discount period ended	May 31, 2008
2008 Penalty period began	August 1, 2008

### 4. CAPITAL ASSETS

A summary of changes in capital assets during fiscal year 2008 is as follows:

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

	Balance at January 1, 2008	Additions	Transfers/ (Deletions)	Balance at December 31, 2008
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 720,018	\$ -	\$ -	\$ 720,018
Capital assets, being depreciated:				
Buildings	937,227	-	-	937,227
Land improvements	128,863	-	-	128,863
Equipment and vehicles	1,269,939	56,069	(24,198)	1,301,810
Infrastructure	637,205	21,690	(7,032)	651,863
	2,973,234	77,759	(31,230)	3,019,763
Less accumulated depreciation for:				
Buildings	(623,444)	(22,129)	-	(645,573)
Land improvements	(129,982)	-	-	(129,982)
Equipment and vehicles	(971,185)	(81,197)	8,386	(1,043,996)
Infrastructure	(49,390)	(21,963)	234	(71,119)
	(1,774,001)	(125,289)	8,620	(1,890,670)
Governmental activities Capital assets, net	\$ 1,919,251	\$ (47,530)	\$ (22,610)	\$ 1,849,111
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 88,848	\$ -	\$ -	\$ 88,848
Capital assets, being depreciated:				
Building and pool	1,608,459	-	-	1,608,459
Sewage system	-	-	-	-
Computers and equipment	173,615	-	-	173,615
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
	1,782,074	-	-	1,782,074
Less accumulated depreciation for:				
Building and pool	(1,025,846)	(37,766)	-	(1,063,612)
Sewage system	-	-	-	-
Computers and equipment	(129,815)	(11,946)	-	(141,761)
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
	(1,155,661)	(49,712)	-	(1,205,373)
Business-type activities Capital assets, net	\$ 715,261	\$ (49,712)	\$ -	\$ 665,549

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

**Governmental Activities:**

General government	\$ 25,130
Public safety	26,041
Public works	<u>65,498</u>
Total depreciation expense - governmental activities	<u>\$ 116,669</u>

**Business-Type Activities:**

Sewer	\$ 11,086
Pool	28,060
Solid waste	<u>10,566</u>
Total depreciation expense - enterprise activities	<u>\$ 49,712</u>

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

Interfund receivables, payables, and transfers at December 31, 2008 are summarized below:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 272,003	\$ 17,208
Swimming Pool Fund	-	141,100
Sewer Fund	8,729	131,710
Solid Waste Disposal Fund	51,023	33,460
Other Governmental Funds	<u>6,079</u>	<u>14,356</u>
Total	<u>\$ 337,834</u>	<u>\$ 337,834</u>

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 229,928	\$ (322,183)
Super Fund	228,847	(187,050)
Sewer Fund	-	(249,454)
Solid Waste Disposal Fund	-	(38,000)
Other Governmental Funds	342,790	-
Retirement Trust Fund	-	(4,878)
Total	<u>\$ 801,565</u>	<u>\$ (801,565)</u>

Transfers between funds mainly represent reimbursements and administrative fees paid on behalf of other funds. All due to/due from amounts are expected to be liquidated within the next year.

### 6. LONG-TERM DEBT

#### General Obligation Note

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.

Future annual debt service requirements for the note are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 9,588	\$ 1,995	\$ 11,583
2010	9,782	1,801	11,583
2011	9,979	1,604	11,583
2012	10,179	1,404	11,583
2013	10,382	1,201	11,583
2014-2018	53,430	3,707	57,137
	<u>\$ 103,340</u>	<u>\$ 11,712</u>	<u>\$ 115,052</u>

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### General Obligation Note

This is a General Obligation Note (note) in the Borough's name on behalf of the White Oak Volunteer Fire Company No. 1 for the purpose of purchasing a fire truck. The note was issued November 2003 for \$86,000 at a 3.6% interest rate for a term of five years with annual installments of \$18,820 including interest. There is no remaining principal outstanding at December 31, 2008.

### Authority for Improvements in Municipalities (AIM)

This is a General Obligation Note (note) issued for the purpose of purchasing four new police vehicles. The note was issued April 2004 for \$75,000 at a 2.37% interest rate for a term of five years with annual installments of \$15,000 plus interest.

Future annual debt service requirements for the note are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 15,000</u>	<u>\$ 356</u>	<u>\$ 15,356</u>

### Authority for Improvements in Municipalities (AIM)

This is a General Obligation Note (note) issued for the purpose of purchase of a utility pick-up truck. The note was issued March 2007 for \$30,494 at a 3.56% interest rate for a term of five years with annual installments of \$6,099 plus interest.

Future annual debt service requirements for the note are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 6,099	\$ 868	\$ 6,967
2010	6,099	651	6,750
2011	6,099	434	6,533
2012	6,098	217	6,315
	<u>\$ 24,395</u>	<u>\$ 2,170</u>	<u>\$ 26,565</u>

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### General Obligation Note

This is a General Obligation Note (note) issued on behalf of the White Oak Volunteer Fire Company No. 1 for the purpose of purchasing a fire truck. The note was issued January 2005 for \$150,000 at a 4.25% interest rate for a term of five years with annual installments of \$33,402 including interest.

Future annual debt service requirements for the note are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 32,541	\$ 861	\$ 33,402
2010	5,407	9	5,416
	<u>\$ 37,948</u>	<u>\$ 870</u>	<u>\$ 38,818</u>

Changes in the Borough's long-term debt during fiscal 2008 were as follows:

### Capital Leases

In July of 2008, the Borough signed a lease with Ford Motor Credit in the amount of \$53,373 with an interest rate of 5.95% for a period of 36 months for the purpose of leasing two police vehicles. The remaining payments on the lease are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 16,773	\$ 2,055	\$ 18,828
2010	17,771	1,057	18,828
Total	<u>\$ 34,544</u>	<u>\$ 3,112</u>	<u>\$ 37,656</u>

In August of 2007, the County signed a lease agreement with Ford Motor Credit in the amount of \$18,955 with an interest rate of 6.90% for a period of 36 months for the purpose of leasing a Public Works vehicle. The remaining payments on the lease are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 9,794</u>	<u>\$ 676</u>	<u>\$ 10,470</u>

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### Governmental Activities:

	Balance at January 1, 2008	Principal Repayments	Other Changes	Balance at December 31, 2008	Due Within One Year
Loans and notes	\$ 261,816	\$ (109,124)	\$ 72,329	\$ 225,021	\$ 89,795
Compensated absences	171,935	15,039	-	186,974	-
	<u>\$ 433,751</u>	<u>\$ (94,085)</u>	<u>\$ 72,329</u>	<u>\$ 411,995</u>	<u>\$ 89,795</u>

Future annual debt service requirements for the Borough are as follows:

	Principal	Interest	Total
2009	\$ 89,795	\$ 6,811	\$ 96,606
2010	39,058	3,518	42,576
2011	16,078	2,038	18,116
2012	16,277	1,621	17,898
2013	16,480	1,418	17,898
2014-2018	47,333	3,490	50,823
	<u>\$ 225,021</u>	<u>\$ 18,896</u>	<u>\$ 243,917</u>

## 7. COLLATERAL FOR DEBT

### White Oak Athletic Association Real Estate Loan

The White Oak Athletic Association (WOAA) entered into an agreement with the Borough to use a parcel of real estate, owned by the Borough and leased to WOAA under a 99-year lease agreement, as collateral on a loan issued to the WOAA in April 2001. The loan to WOAA is an installment loan due February 20, 2011 with an interest rate of 8.5%. The Borough does not currently anticipate any need to have the collateral liquidated.

## 8. PENSION PLANS

### Plan Descriptions

The Borough administers two single-employer defined pension plans covering substantially all full-time employees: the Non-Uniformed Pension Plan (Non-Uniformed Plan), which



# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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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 Authority for municipal contributions required by Act 205 of the Commonwealth (Act). Stand-alone financial statements are not issued for either plan.

As of January 1, 2007, the date of the most recent actuarial valuation, participants in the Non-Uniformed Plan and Police Plan were as follows:

	Non- Uniformed	Police
Participants:		
Retirees and beneficiaries	2	10
Deferred vested	3	-
Active employees:		
Vested	12	5
Non-vested	4	6

### Summary of Significant Accounting Policies

Financial information of the Borough's plans is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plan.

Investments of the plans are reported at the fair market value. Securities traded on national exchanges are valued at the last reported sales price.

### Contributions and Funding Policy

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

For 2008, the only employee group required to contribute were non-uniform employees, based upon the financial requirements established by their collective bargaining contract. In

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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2008, the Non-Uniformed Plan contribution rate was 3.25%. Resolution 3457 passed by the Borough eliminated the police officers' contribution to their pension plan subject to an annual audit by the State Auditor General's Office determining that the plan is actuarially sound without any contributions from the police officers.

Funds necessary to meet the MMO obligations for the Non-Uniformed Plan and Police Plan were provided by state funding.

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

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

	Non- Uniformed	Police
Annual pension cost	\$ 48,777	\$ 51,213
Contributions made	\$ 60,309	\$ 51,213
Actuarial valuation date	01/01/2007	01/01/2007
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Open	Level Dollar Open
Asset valuation method	Fair Value	Fair Value
Amortization period	16 years	16 years
Actuarial assumptions:		
Investment rate of return	6.75%	6.75%
Projected salary increases	4.50%	5.00%
Underlying inflation rate	3.00%	3.00%

For the Police Plan, the Borough's net pension obligation at transition to GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," was determined to be zero and the net pension asset/obligation continues to be insignificant at December 31, 2008. However, a net pension asset (a negative net pension obligation) of \$143,655 exists in the Non-Uniformed Plan at December 31, 2008.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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### Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
<u>Non-Uniformed:</u>	12/31/2006	\$ 58,274	117%	\$ (139,118)
	12/31/2007	59,917	100%	(139,083)
	12/31/2008	48,777	124%	(143,655)
<u>Police:</u>	12/31/2006	\$ 70,960	100%	\$ -
	12/31/2007	61,891	100%	-
	12/31/2008	51,213	100%	-

The Borough has a net pension asset (a negative net pension obligation (NPO)) in their Non-Uniformed plan as of December 31, 2008 calculated as follows:

Annual required contribution	\$ 48,777
Interest on NPO	(9,388)
Adjustments to the ARC	<u>16,348</u>
Annual pension cost	55,737
Contribution made	<u>60,309</u>
Change in NPO	(4,572)
NPO, 12/31/2007	<u>(139,083)</u>
NPO, 12/31/2008	<u><u>\$ (143,655)</u></u>

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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The Borough's funded status and related information as of the latest actuarial valuation date, January 1, 2007, is as follows:

Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Non-Uniformed:					
\$ 1,284,470	\$ 1,483,205	\$ (198,735)	86.60%	\$ 680,657	(29.20)%
Police:					
\$ 4,350,556	\$ 3,820,569	\$ 529,987	113.87%	\$ 802,536	66.04%

The required schedule of funding progress included as required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

As noted above, certain pension information and calculations are based upon an actuarial valuation performed as of January 1, 2007. The next actuarial valuation will be performed as of January 1, 2009 and will take into account subsequent declines in the market value of investments being held in the Plans. While the exact impact is not known, it is expected that the market declines will negatively impact the funding status of the Plans and increase the future funding requirements of the Plans.

### 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, 2008, 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, 2008 totaled \$254,941. 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.

# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

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### **10. POST-RETIREMENT BENEFITS**

The Borough wanted to provide a \$2,000 retirement benefit to every full-time public works employee that retires from the Borough. The Borough has purchased United States Government 0% Coupon Bonds scheduled to mature before the retirement age of most covered employees. The Borough also provides \$5,000 life insurance policy to every full-time office employee that retires from the Borough. Currently, money from the cash value of terminated life insurance policies is owed to the Retirement Trust Fund to provide for future cost of a \$5,000 life insurance policy. If an employee terminates before retirement, the payments and earnings are held in the fund to reduce future contributions. The Borough has temporarily ceased funding these benefits. These assets are accounted for in the Retirement Trust Fund. During 2008, the Borough transferred \$102,000 into the Post-Retirement Benefit Fund to cover future other post-retirement benefits required under the union contract for police employees.

### **11. CONTINGENCIES**

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

# BOROUGH OF WHITE OAK

## SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess of Assets		Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
			Over (Under) AAL				
1/1/2003	\$ 1,200,071	\$ 1,217,962	\$ (17,891)		98.53%	\$ 747,914	(2.39%)
1/1/2005	1,414,305	1,582,672	(168,367)		89.36%	744,890	(22.60%)
1/1/2007	1,284,470	1,483,205	(198,735)		86.60%	680,657	(29.20%)
1/1/2003	3,626,477	3,111,476	515,001		116.55%	860,304	59.86%
1/1/2005	3,963,620	3,309,808	653,812		119.75%	802,961	81.43%
1/1/2007	4,350,556	3,820,569	529,987		113.87%	802,536	66.04%

**Non-Uniformed:**

**Police:**

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

See accompanying note to required supplementary information.

# BOROUGH OF WHITE OAK

## SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
<u>Non-Uniformed:</u>			
	2003	\$ 23,032	>100%
	2004	2,512	>100%
	2005	37,477	>100%
	2006	52,663	>100%
	2007	51,722	>100%
	2008	48,777	>100%
 <u>Police:</u>			
	2003	\$ 96,010	100%
	2004	56,303	100%
	2005	69,473	100%
	2006	70,960	100%
	2007	61,891	100%
	2008	51,213	100%

Note: Contributions include state pension aid.

See accompanying note to required supplementary information.



# BOROUGH OF WHITE OAK

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2008

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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:

	<u>Non-Uniformed</u>	<u>Police</u>
Actuarial valuation date	01/01/2007	01/01/2007
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Open	Level Dollar Open
Asset valuation method	Fair Value	Fair Value
Amortization period	16 years	16 years
Actuarial assumptions:		
Investment rate of return	6.75%	6.75%
Projected salary increases	4.50%	5.00%
Underlying inflation rate	3.00%	3.00%

## ADDITIONAL INFORMATION

# BOROUGH OF WHITE OAK

## COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2008

Assets	Special Revenue Funds				Capital Projects Fund	Total Other Governmental Funds
	Liquid Fuels Fund	Fire Protection Tax Fund	Total	Total		
Cash and cash equivalents	\$ 133,483	\$ 165,999	\$ 299,482	\$ 299,482	\$ 390,120	\$ 689,602
Taxes receivable	-	412	412	412	-	412
Due from other funds	639	5,440	6,079	6,079	-	6,079
<b>Total Assets</b>	<b>\$ 134,122</b>	<b>\$ 171,851</b>	<b>\$ 305,973</b>	<b>\$ 305,973</b>	<b>\$ 390,120</b>	<b>\$ 696,093</b>
<b>Liabilities and Fund Balance</b>						
Liabilities:						
Accounts payable	\$ 18,718	\$ 1,318	\$ 20,036	\$ 20,036	\$ 8,372	\$ 28,408
Due to other funds	14,356	-	14,356	14,356	-	14,356
Total Liabilities	33,074	1,318	34,392	34,392	8,372	42,764
Fund Balance:						
Unreserved, undesignated	101,048	170,533	271,581	271,581	381,748	653,329
<b>Total Liabilities and Fund Balance</b>	<b>\$ 134,122</b>	<b>\$ 171,851</b>	<b>\$ 305,973</b>	<b>\$ 305,973</b>	<b>\$ 390,120</b>	<b>\$ 696,093</b>

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2008

	Special Revenue Funds				Total	Capital Project Fund	Total Other Governmental Funds
	Liquid Fuels Fund	Fire Protection Tax Fund	-	-			
<b>Revenues:</b>							
Intergovernmental	\$ 193,614	\$ -	\$ -	\$ 193,614	\$ -	\$ 193,614	
Interest, rent, and royalties	3,353	1,987	-	5,340	2,061	7,401	
Miscellaneous	-	2,584	-	2,584	-	2,584	
Total revenues	<u>196,967</u>	<u>4,571</u>	<u>-</u>	<u>201,538</u>	<u>2,061</u>	<u>203,599</u>	
<b>Expenditures:</b>							
Public safety	-	46,216	-	46,216	-	46,216	
Public works:							
Highway maintenance - cleaning of streets	2,750	-	-	2,750	-	2,750	
Highway maintenance - snow and ice removal	89,925	-	-	89,925	-	89,925	
Highway maintenance - traffic signals, signs	11,052	-	-	11,052	-	11,052	
Highway maintenance - street lighting	94,320	-	-	94,320	-	94,320	
Capital outlay	-	-	-	-	31,475	31,475	
Debt service:							
Principal	-	60,035	-	60,035	6,099	66,134	
Interest	-	4,647	-	4,647	1,086	5,733	
Total expenditures	<u>198,047</u>	<u>110,898</u>	<u>-</u>	<u>308,945</u>	<u>38,660</u>	<u>347,605</u>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,080)</u>	<u>(106,327)</u>	<u>-</u>	<u>(107,407)</u>	<u>(36,599)</u>	<u>(144,006)</u>	
<b>Other Financing Sources (Uses):</b>							
Transfers in (out)	-	112,250	-	112,250	230,540	342,790	
<b>Net Change in Fund Balance</b>	<u>(1,080)</u>	<u>5,923</u>	<u>-</u>	<u>4,843</u>	<u>193,941</u>	<u>198,784</u>	
Beginning of year	102,128	164,610	-	266,738	187,807	454,545	
End of year	<u>\$ 101,048</u>	<u>\$ 170,533</u>	<u>\$ -</u>	<u>\$ 271,581</u>	<u>\$ 381,748</u>	<u>\$ 653,329</u>	

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2008

	Liquid Fuels		Preliminary & Final Budget	Variance	Fire Protection Tax	
	Preliminary & Final Budget	Actual (Budgetary Basis)			Preliminary & Final Budget	Actual (Budgetary Basis)
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ 400	\$ -	\$ -	\$ (400)
Intergovernmental	175,000	193,614	-	18,614	-	-
Interest, rent, and royalties	3,294	3,353	2,726	59	1,987	(739)
Miscellaneous	-	-	-	-	2,584	2,584
Total revenues	178,294	196,967	3,126	18,673	4,571	1,445
<b>Expenditures:</b>						
Public safety	-	-	50,794	-	44,898	5,896
Public works	139,500	186,813	-	(47,313)	-	-
Debt service:						
Principal	-	-	63,693	-	60,035	3,658
Interest	-	-	-	-	4,647	(4,647)
Total expenditures	139,500	186,813	114,487	(47,313)	109,580	4,907
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	38,794	10,154	(111,361)	(28,640)	(105,009)	6,352
<b>Other Financing Uses:</b>						
Transfers from/to other funds	(41,200)	-	119,750	41,200	112,250	(7,500)
<b>Net Change in Fund Balance</b>	(2,406)	10,154	8,389	12,560	7,241	(1,148)
<b>Fund Balance:</b>						
Beginning of year	70,131	123,329	198,391	53,198	158,758	(39,633)
End of year	\$ 67,725	\$ 133,483	\$ 206,780	\$ 65,758	\$ 165,999	\$ (40,781)

# BOROUGH OF WHITE OAK

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL SPECIAL REVENUE FUNDS

YEAR ENDED DECEMBER 31, 2008

	Capital Projects Fund		
	Preliminary & Final Budget	Actual (Budgetary Basis)	Variance
<b>Revenues:</b>			
Interest, rent, and royalties	\$ 3,750	\$ 2,061	\$ (1,689)
<b>Expenditures:</b>			
Capital outlay	94,200	24,827	69,373
Debt service:			
Principal	7,304	6,099	1,205
Interest	-	1,086	(1,086)
Total expenditures	101,504	32,012	69,492
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(97,754)</b>	<b>(29,951)</b>	<b>67,803</b>
<b>Other Financing Uses:</b>			
Transfers from other funds	107,304	321,495	214,191
<b>Net Change in Fund Balance</b>	<b>9,550</b>	<b>291,544</b>	<b>281,994</b>
<b>Fund Balance:</b>			
Beginning of year	-	98,576	98,576
End of year	\$ 9,550	\$ 390,120	\$ 380,570