

Borough of White Oak

Financial Statements and Required Supplementary Information

Year Ended December 31, 2015
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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BOROUGH OF WHITE OAK

YEAR ENDED DECEMBER 31, 2015

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BOROUGH OF WHITE OAK

YEAR ENDED DECEMBER 31, 2015

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Independent Auditor's Report

Members of Council
Borough of White Oak

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of White Oak (Borough), Pennsylvania, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary activity of the Borough as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the

year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Borough adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions*," and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date*," which requires the Borough to record its net pension liability and related items on the government-wide financial statements. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through xv and the pension and OPEB information on pages 49 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Pittsburgh, Pennsylvania
September 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

This section of the Borough of White Oak's (Borough) financial statements presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2015. 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, 2015. The Management's Discussion and Analysis provides a comparative analysis between 2015 and 2014 of the government-wide data.

REVIEWING THE ANNUAL AUDIT REPORT

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

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

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

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

THE BOROUGH AS A WHOLE ANALYSIS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

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

DETAILING THE MOST IMPORTANT FUNDS

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

The Borough has Governmental, Proprietary, and Fiduciary Funds.

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

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

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

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

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

During the year, the Borough adopted GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions*,” and Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date*.” These statements establish new financial reporting requirements for most governments that provide their employees with pension benefits. As a result of this implementation, the government-wide net position as of January 1, 2015 was restated with a decrease of \$1,235,062 to record the Borough’s net pension liability.

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

The Borough’s net position at December 31, 2014 was \$8,486,551 (restated), of which \$6,135,499 is net investment in capital assets. Capital assets account for approximately 60.4% of the Borough total assets of \$10,116,561. The remainder of the Borough’s assets includes cash and cash equivalents and receivables.

The Borough’s total liabilities are \$1,974,512 as of December 31, 2015 and consist of long-term debt, accounts payable, net pension liability, and other accrued liabilities. The Borough’s total liabilities are \$1,630,010 as of December 31, 2014 (restated) and consist of long-term debt, accounts payable, net pension liability, and other accrued liabilities. The majority of the increase from 2014 to 2015 can be attributed to the increase in liability in the pension plans. This liability has not been reported on prior Financial Statements and Required Supplementary and Supplementary Information.

The Borough authorized the engineering firm to investigate the White Oak Athletic Association site for possible installation of insulation. Council discussed the possibility of a complete rehabilitation project at the site. There were professional service fees associated with these two issues of \$450 in 2007. In 2008, there were professional services fees associated with the expanded project of \$4,743 in engineering fees and \$3,368 in geotechnical core drilling/analysis report, \$6,964 in surveying fees and \$2,200 in environmental fees. These services totaled \$17,275 in 2008. In 2009, 2010, 2011, 2012, 2013, and 2014, there were no expenses associated with this ongoing project. In 2015 the Borough did authorization the preparation of bid documents for roof, electrical and mechanical upgrades. The cost associated with the preparation of the bid/plan documents was \$21,761.76. In 2016, the Borough was advised by Allegheny County of an award CITF in the amount of \$100,000. Council has approved motion to proceed with the roofing portion of the bid for \$98,805.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

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

In December 2011, the Borough did receive written confirmation from the Commonwealth of Pennsylvania Department of Conservation and Natural Resources (DCNR) that a \$500,000 matching grant has been awarded to the Borough. In 2015, the Borough did proceed with acceptance of the grant as well as the bidding/construction process of this center. Costs associated with this project in 2015 are \$233,443 (\$126,860 actual construction; \$106,583 engineering/project manager, legal, advertising). Project should be completed in August 2016.

Capital purchases included the following:

2- Desk Tops	Police	\$1,486.98
7- Tough Book Laptops	Police	8,673.00
2- Intoxilizers	Police	1,000.00
1-IBM Wheelwriter Typewriter-refurbished	Admin	350.00
1-Kubota Mower w/deck	Public Works	10,000.00
1-Police Cruiser	Police	33,976.00
2-DeskTops	Admin/Finance	3,919.00
TOTAL COSTS		\$59,404.98

Infrastructure

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

	Stepanik Road (no construction costs all in 2016) {engineering/legal}	\$36,801.00
	Center St. Ext. (slide), Engineering	1,990.63
1-2015	CB, Circle Drive	1,851.74
2-2015	CB, 206 Sunset	2,246.15
3-2015	CB, 2020 Cypress	2,882.25
4-2015	CB, 2711 Educational	2,189.01
5-2015	SS, 14720 Catherine	5,298.62
6-2015	CB, 1138 Glass	962.58
7-2015	CB, 3200 Capitol	1,279.21
8-2015	CB, 2600 Henderson CB, 1138 Glass	3,415.18
9-2015	CB, 410 Oliver	1,303.91
10-2015	CB, 213 Cool Springs	2,299.98
11-2015	SS, 3305 Eisenhower, tap-in drain (ice issue)	2,546.38
12-2015	CB, 1501 Kansas	2,576.43
13-2015	CB/SS, 2112 Fawcett	13,142.52
14-2015	Alley Prep – Paving Program	7,923.48

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

15-2015	Quay Alley, Pave	9,391.00
16-2015	Race Alley, Pave	12,422.36
17-2015	Line Alley (1200 blk), Pave	6,592.64
18-2015	Amherst Alley (1300 blk), Pave	10,985.32
19-2015	University Alley, Pave	25,036.17
20-2015	Division St., Pave	13,708.47
21-2015	Division Alley, Pave	11,271.78
22-2015	Cypress Drive (2221) Sink Hole	4,814.74
23-2015	Kelly, (Upper)	2,828.27
24-2015	CB, Cypress @ Spruce	3,273.10
25-2015	CB, 2900 McClure	2,981.79
TOTAL COSTS		\$155,213.71

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

Note that the Uniformed Pension Plan, Non-Uniformed Pension Plan, and retired Employee Benefit Fund are not included in the Net Asset Value, as they are considered "trust arrangements" which fall under the category of fiduciary funds. Fiduciary funds are not reported in the government-wide statements, because they account for assets not belonging to the government. The total combined net position of these funds is \$7,574,428 at December 31, 2015, \$7,339,790 at December 31, 2014, \$6,813,182 at December 31, 2013, and \$6,528,604 at December 31, 2012. (Page 15 of Report)

OTHER FINANCIAL HIGHLIGHTS

Government –Wide Financial Statements – Page 2 of Report

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

Program revenues for fiscal year 2014 of \$1,401,558 consist mainly of charges for services (46.8%), which relate mainly to solid waste billing. General revenues of \$3,403,269 consist mainly of real estate and earned income taxes. Expenses totaled \$4,397,475 and relate to provision of services such as public safety, sanitation, public works, and general government. The total change in net assets at December 31, 2014 is a positive \$407,352. For the government-wide financial statements, transfers have been eliminated.

Fund Statements – Page 5 of Report

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

For the year ending December 31, 2014, real estate and other taxes (EIT, BP, MT, RAD) account for the majority of the Borough revenues (93.8%). Without the RAD and Miscellaneous Taxes being included, that percent is reduced to 83.4%.

Real Estate Taxes and Assessed Value

White Oak levies millage rates for general purposes and fire protection. There is not a separate levy for fire protection; it is a combined general purpose levy which includes general purpose allocations for fire protection. Below is a breakdown of the assessed value, millage rate, and face value of statements. Certified value as of January 1, 2015 was \$390,220,757.

	2011	2012	2013	2014	2015
Assessed Value 12/31	\$330,443,463	\$338,761,618	\$391,707,107	\$395,559,307	\$390,220,757
Purpose					
General	5.66	5.66	4.66	4.66	4.66
Fire	0.00	0.00	0.00	0.00	0.00
Total	5.66	5.66	4.66	4.66	4.66
Face Value of Statement	\$1,870,310	\$1,917,390	\$1,825,355	\$1,843,306	\$1,818,428

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

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

The taxable assessed value shows a decrease from 1/1/2013 to 12/31/2013 of \$14,545,501, which represents a decrease of \$67,824 real estate taxes.

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

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

Based on 2014 information, approximately 86% of the real estate tax levy is paid at the 2% discount rate, another 6.8% paid at face, 2% paid at penalty, and another 5.2% in unpaid real estate tax.

The Borough turned over a total of \$109,435 for 2013, \$94,466 for 2014, and \$77,764 for 2015 in tax levies to Keystone Municipal Collections, the Borough's Delinquent/Liened Real Estate Tax Collector.

By law, the delinquent accounts are to be turned over to the delinquent collector at year's end. It takes the current collector approximately one month to review the tax counterfoils and prepare the delinquent listing.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

The 2014 median value of a residential home within White Oak Borough remained the same as the 2013 median value of a residential home within White Oak Borough at \$79,800. This value is listed on the Allegheny County Website – Municipal Map, Community Profile Page.

The 2015 median value of residential homes with the municipalities that encompass the McKeesport Area School District are as follows: City of McKeesport \$22,600, South Versailles Township \$41,600, Versailles Borough \$35,500, and Dravosburg Borough \$54,950.

Based on 2015 median value, property owners would pay the following in real estate taxes at face. The Borough tax levy remained the same from 2013 to 2015.

Taxing Jurisdiction	2013	2014	2015
County (13 4.73) (14-4.73) (15-4.73)	\$377.45	\$377.45	\$376.98
Borough (13 4.66) (14-4.66) (15-4.66)	371.46	371.76	371.40
School District (13-15.22) (14-15.7) (15-16.15)	1,214.56	1,252.86	1,287.16
TOTAL	\$1,963.76	\$1,963.76	\$2,035.54

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

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

2015

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

2014

Fund Name	Expenses	Revenues	+/- Expenses Over Revenues
Swimming Pool	\$161,313	\$85,374	+\$75,939
Solid Waste Disposal	586,297	656,545	-70,248
Other Recreation Fund	14,848	12,885	+1,963

As of December 31, 2015, the Pool/Park Fund contains a due to the General Fund. That amount is \$333,265 and is for payroll expenditures. It is suggested that the Borough consider writing off this balance, which represents five (5) years of unreimbursed payroll expenses.

There is also a net due to the General Fund from Solid Waste in the amount of \$23,999. It is suggested the Borough consider a motion to physically transfer this amount from Solid Waste to the General Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

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

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

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

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

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

The 2013 revenues were \$210,895 more than the adopted Budget.

The 2013 actual expenditures were \$740,540 less than budgeted.

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

Capital Assets - Pages 32-33 of Report

The Borough's capital assets as of December 31, 2015, net of accumulated depreciation, amounted to \$6,344,577. The Borough's capital assets as of December 31, 2014, net of accumulated depreciation, amounted to \$6,179,671. Capital assets consist primarily of land, buildings, machinery and equipment, and infrastructure. Detailed information concerning capital assets can be found in Note 4 of the financial statements.

Capital Leases

In 2015, the Borough did not enter into any new commercial capital leases.

Long-Term Debt - Pages 34-35 of Report

In 2015, the Borough did not take on any additional long- or short-term debt.

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 12/15	Interest as of 12/15	Total Principal & Interest Due
WO#1 – fire truck	Oct 03	\$150,000	2.00	15 years	Aug 2016	\$7,017	\$257	\$7,274
WOB Aim Loan	April 10	108,666	1.79	5 years	April 2015	0	0	0
WOB PIB Loan	March 10	108,666	1.625	5 years	March 2015	0	0	0
TOTAL						\$7,017	\$257	\$7,274

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

At December 31, 2014, the Borough had \$54,982 in short-term principal debt.

The balance of \$7,274 (principal and interest) was secured by the Borough for the purchase of fire equipment for White Oak V.F.C. #1. Over the last two (2) years, White Oak #1 was able to

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

secured debt reduction grants. Those proceeds were used to pay down principal on this loan reducing the date for final payment from November 2018 to being paid off in August 2016.

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

The total outstanding debt (loans and compensated absences), in the amount of \$266,701 as of December 31, 2014, represents a small per household burden of \$73.86 (3,611 occupied units, 2010 census). This also represents a small per capita burden of \$34.80 (7,663 population – 2010 Census). Detailed information about the Borough's outstanding debt can be found in Note 6 of the financial statements. Note: 2010 Census indicates there are 3,888 housing units in the Borough, of which 277 are vacant.

Rainbow V.F.C.

Secured a 2.82% loan for \$100,000 through S & T Bank. This loan matures in January 2022. The purpose of the loan is to purchase a truck that would be able to access narrow cartways (public/private). The outstanding principal as of December 31, 2015 is \$64,178.96 with outstanding interest of \$5,443.91.

White Oak V.F.C. #1

Secured a 2% loan through PEMA for \$150,000 in November 2003. The loan matures in November 2018 but due to WO #1 securing several debt reduction grants, the loan will now mature in 2016. See table above for outstanding principal and interest.

Both Fire Companies

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

Fiduciary Funds - page 15 of Report

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

Non-Uniformed Pension

	2014	2015
Beginning Balance (Cash)	\$1,805,104	\$1,973,299
REVENUES		
Interest Income	59,664	59,674
Unrealized Gains/Losses	38,471	-74,426

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

Foreign Casualty Ins.	38,727	39,208
MMO	64,358	56,803
Employee Contributions	14,909	16,503
Total Revenues	\$216,129	\$97,762
EXPENDITURES		
Administration Fees (Principal & Mockenhaupt) and Investment Expenses	\$13,043	\$14,394
Pension Benefits – Monthly	34,891	33,866
Pension – Refund Employee Contri	0	1,054
Pension Benefits-Lump Sum	0	0
Total Expenditures	168,195	48,314
Ending Balance	\$1,973,299	\$2,022,747
Net Fund Balance	\$168,195	\$49,448
MMO Requirement	\$103,085	\$96,011
Per Unit Stock Value 1/1 Per Share	\$31.3107602	\$33.7148659
Total All Shares 5,657.30 1/1	\$177,134	\$190,792
Per Unit Stock Value 12/31	\$33.7248659	\$30.0530154
Total All Shares 5,657.30 12/31	\$190,791	\$170,019
Total Pension Liability	\$2,236,431	\$2,375,369
Plan Fiduciary Net Position	1,973,299	2,022,747
Net Pension Liability	\$263,132	\$352,622
Net Position As Percentage of Total Liability	88.2%	85.2%

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

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

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

Balance as of December 31, 2014 in General Investment was \$1,781,231, while the year-end balance in the value of the Principal Financial Group Stock Account was \$190,791.

Balance as of January 1, 2014 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

value is \$1,553,743. Value of the stock at the beginning of 2013 was \$177,134.

The annual interest income rate of return for 2014 was 3.82%, for general investments with a 7.71% increase in the value of the common stock.

Additional Notes:

The Non-Uniformed Pension Plan had an allocated balance of \$428,962 for retirees/non-retired participants at the beginning of 2015 and \$360,174 for retirees/non-retired participants at the end of 2013. The statement for this fund does not provide a breakdown of interest income earned between the allocated and unallocated balances. The non-allocated balance at the beginning of 2015 was \$1,293,558 and at the end of 2014 was \$1,382,159.

The Non-Uniformed Pension Plan had an allocated balance of \$360,174 for retirees/non-retired participants at the beginning of 2014 and \$393,457 for retirees/non-retired participants at the end of 2014. 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 2014 was \$1,193,569 and at the end of 2014 was \$1,293,558.

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

Uniformed Pension Plan

	2014	2015
Beginning Balance (Cash)	\$4,421,101	\$4,733,424
REVENUES		
Interest Income	181,904	175,422
Unrealized Gains/Losses	141,765	-63,388
Foreign Casualty Ins.	77,454	94,100
MMO	89,788	99,442
Employee Contributions	48,167	50,558
Total Revenues	\$539,078	\$356,134
EXPENDITURES		
Administration Fees (Principal & Mockenhaupt)	\$19,507	\$14,570
Pension Benefits	207,248	202,360
Total Expenditures	226,755	216,930
Ending Balance	4,733,424	4,872,628
Net Fund Balance	\$312,323	\$139,204
MMO Requirement	\$167,242	\$193,542
Per Unit Stock Value 1/1 Per Share	\$31.3107602	\$33.7148659
Total All Shares 19,010.6 1/1	\$595,236	\$641,129
Per Unit Stock Value 12/31	\$33.7248659	\$30.0530154
Total All Shares 19,010.6 12/31	\$641,129	\$571,325

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

Total Pension Liability	\$5,637,913	\$6,087,176
Plan fiduciary Net Position	\$4,733,424	\$4,872,628
Net Pension Liability	\$904,489	\$1,214,548
Net Position As a Percentage of Total Liability	84.0%	80.0%

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

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

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

Balance as of December 31, 2014 in General Investment was \$4,086,694, while the year-end balance in the value of the Principal Financial Group Stock Account was \$641,129.

Balance as of January 1, 2014 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$4,664,309. The remainder of the beginning balance of \$595,236 is the value of the stock at the beginning of 2014.

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

The annual interest income rate of return for 2014 was 3.94 for general investments, with a 7.71% increase in the value of the common stock.

Additional Notes:

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

The Uniformed Pension Plan had an allocated balance of \$1,054,193 for retiree participants at the beginning of 2014 and at the end of 2014, the allocated balance for retiree participants is \$1,484,026. 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 2014 was \$3,222,122 and at the end of the year the non-allocated balance was \$3,357,125.

The amount received from Foreign Casualty Insurance was not at a level sufficient enough to cover the MMO (\$167,242) for 2014. Therefore, the Borough was required to contribute \$89,788 under the MMO.

Retired Employee Benefit Fund

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

Non-Uniformed Employees (Union/Non-Union)

\$2,000.00 Cash Benefit

\$5,000.00 Paid Up Life Insurance

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

2017-1; 2022-1; 2023-1; 2024-1;
2025-1; 2026-1

2015-1; 2026-1; 2029-1; 2052

An Actuarial Study, dated May 1, 2013, indicated the Borough will need to set aside \$849 for the next 30 years to cover the cost of the current non-uniformed employees.

(Actual Liabilities 01/01/2012 – Public Works \$7,167. Admin/Office \$8,434 – Annual Cost Public Works \$392; Admin Office \$457– Total Annual Cost for all Non-Uniformed Employee is \$849)

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

(Actual Liabilities 01/01/2012 – Police – Medical/RX/Dental/Vision \$790,331; Life Insurance \$39,585. – Annual Cost Medical/RX/Dental Vision \$43,419; Life Insurance \$1,511 – Total Annual Cost for All Uniformed Retired/Current Employees is \$44,930)

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

*ARC – Annual Required Contribution	2014	2015
Beginning Balance		
Checking	\$586,977	\$633,067
Due from GF		
Total Beginning Balance	586,977	633,067
ARC * Transfer	45,757	45,900
Interest Income	354	86
Total Revenues	46,111	45,986
Expenditures		
\$2000 Cash Benefit Upon Retirement		
\$5,000 Cash Benefit Upon Retirement (8/1/15)		
\$5000 Paid Up Policy Upon Retirement		
Medical Benefits (Hospitalization, Dental, Vision, Term Life)-PD		
Medical Benefits (Hospitalization, Dental, Vision, Term Life)-PW (8/1/15)		
Transfer to GF – cover current year expenses		
Administrative Expenses	21	0
Total Expenditures	21	0
Due to General Fund		
Total Expenditures & Liabilities	21	0
Net Fund Balance	\$633,067	\$679,053

Deferred Compensation Plan – 457B - page 47 of Report

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2015

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, 2015, current and retired employees have a combined assets value of \$332,231.

Miscellaneous Notes

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

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

N. J. Greenland
Borough Secretary

BOROUGH OF WHITE OAK

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,680,268	\$ 350,752	\$ 3,031,020
Receivables:			
Taxes	471,841	-	471,841
Other, net of allowance for doubtful accounts of \$53,285	1,628	304,212	305,840
Internal balances	357,264	(357,264)	-
Net OPEB asset	67,830	-	67,830
Capital assets, not being depreciated	1,068,416	50,000	1,118,416
Capital assets, net of accumulated depreciation	4,922,582	303,579	5,226,161
Total Assets	9,569,829	651,279	10,221,108
Deferred Outflows of Resources			
Deferred outflows of resources for pension	387,075	-	387,075
Liabilities			
Liabilities:			
Accounts payable	61,826	41,123	102,949
Accrued liabilities	60,894	-	60,894
Non-current liabilities:			
Due within one year	7,017	-	7,017
Due in more than one year	236,482	-	236,482
Net pension liability	1,567,170	-	1,567,170
Total Liabilities	1,933,389	41,123	1,974,512
Deferred Inflows of Resources			
Deferred inflows of resources for pension	87,957	-	87,957
Net Position			
Net investment in capital assets	5,990,998	353,579	6,344,577
Restricted for:			
Liquid fuels	53,747	-	53,747
OPEB	67,830	-	67,830
Unrestricted	1,822,983	256,577	2,079,560
Total Net Position	\$ 7,935,558	\$ 610,156	\$ 8,545,714

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

BOROUGH OF WHITE OAK

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 857,273	\$ 78,105	\$ 156,596	\$ -	\$ (622,572)	\$ -	\$ (622,572)
Public safety	2,102,466	77,057	135,877	-	(1,889,532)	-	(1,889,532)
Public works	965,163	4,435	207,459	-	(753,269)	-	(753,269)
Culture and recreation	68,357	250	-	-	(68,107)	-	(68,107)
Interest on long-term debt	1,688	-	-	-	(1,688)	-	(1,688)
Total governmental activities	3,994,947	159,847	499,932	-	(3,335,168)	-	(3,335,168)
Business-type activities:							
Solid waste services	579,566	760,829	7,647	-	-	188,910	188,910
Recreation	13,400	9,874	2,500	-	-	(1,026)	(1,026)
Heritage Hill Park	185,562	94,350	-	-	-	(91,212)	(91,212)
Total business-type activities	778,528	865,053	10,147	-	-	96,672	96,672
Total Primary Government	\$ 4,773,475	\$ 1,024,900	\$ 510,079	\$ -	(3,335,168)	96,672	(3,238,496)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					1,711,446	-	1,711,446
Earned income tax					808,381	-	808,381
Business privilege tax					231,164	-	231,164
RAD sales tax					217,797	-	217,797
Other taxes levied for general purposes					157,558	-	157,558
Investment earnings					1,151	-	1,151
Franchise fees					166,362	-	166,362
Gain (disposal) on sale/transfer of fixed assets					3,800	-	3,800
Transfers					56,000	(56,000)	-
Total general revenues and transfers					3,353,659	(56,000)	3,297,659
Change in Net Position					18,491	40,672	59,163
Net Position:							
Beginning of year, as restated					7,917,067	569,484	8,486,551
End of year					\$ 7,935,558	\$ 610,156	\$ 8,545,714

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

BOROUGH OF WHITE OAK

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	General Fund	Liquid Fuels Fund	Capital Projects Fund	Total
Assets				
Cash and cash equivalents	\$ 1,802,011	\$ 104,110	\$ 774,147	\$ 2,680,268
Receivables (net, where applicable, of allowance for uncollectibles):				
Taxes	471,841	-	-	471,841
Other	1,628	-	-	1,628
Due from other funds	466,601	-	200	466,801
Total Assets	\$ 2,742,081	\$ 104,110	\$ 774,347	\$ 3,620,538
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 16,124	\$ -	45,702	\$ 61,826
Accrued liabilities	60,894	-	-	60,894
Due to other funds	59,174	50,363	-	109,537
Total Liabilities	136,192	50,363	45,702	232,257
Deferred Inflows of Resources:				
Unavailable revenue - taxes	342,883	-	-	342,883
Fund Balance:				
Non-spendable	-	-	-	-
Restricted:				
Liquid fuels	-	53,747	-	53,747
Assigned:				
Fire protection	335,868	-	-	335,868
Capital projects	-	-	728,645	728,645
Unassigned	1,927,138	-	-	1,927,138
Total Fund Balance	2,263,006	53,747	728,645	3,045,398
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,742,081	\$ 104,110	\$ 774,347	\$ 3,620,538

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

BOROUGH OF WHITE OAK

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

DECEMBER 31, 2015

Total Fund Balance - Governmental Funds		\$ 3,045,398
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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 \$9,778,088 and the accumulated depreciation is \$3,787,090.</p>		5,990,998
<p>Property taxes and earned income taxes receivable generally will be collected next year, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.</p>		342,883
<p>The actuarially accrued net pension liability and deferred outflows and inflows of resources for pensions are not recorded on the fund financial statements.</p>		(1,268,052)
<p>The net OPEB asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.</p>		67,830
<p>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:</p>		
	Notes and loans payable	\$ (7,017)
	Compensated absences	(236,482)
		(243,499)
Total Net Position - Governmental Activities		\$ 7,935,558

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2015

	General Fund	Liquid Fuels Fund	Capital Projects Fund	Total
Revenues:				
Taxes	\$ 2,922,188	\$ -	\$ -	\$ 2,922,188
Licenses and permits	229,896	-	-	229,896
Fines and forfeits	22,829	-	-	22,829
Intergovernmental	183,316	207,459	-	390,775
Charges for services	73,312	-	-	73,312
Interest, rents, and royalties	1,003	17	131	1,151
Miscellaneous	112,957	172	-	113,129
Total revenues	3,545,501	207,648	131	3,753,280
Expenditures:				
Current:				
General government	465,260	-	-	465,260
Public safety	1,978,751	-	-	1,978,751
Public works	666,731	207,249	-	873,980
Culture and recreation	68,357	-	-	68,357
Miscellaneous	354,879	-	-	354,879
Capital outlay	-	-	317,392	317,392
Debt service:				
Principal	55,492	-	-	55,492
Interest	1,688	-	-	1,688
Total expenditures	3,591,158	207,249	317,392	4,115,799
Excess (Deficiency) of Revenues Over Expenditures	(45,657)	399	(317,261)	(362,519)
Other Financing Sources (Uses):				
Transfers in	56,000	-	61,500	117,500
Transfers out	(61,500)	-	-	(61,500)
Total other financing sources (uses)	(5,500)	-	61,500	56,000
Net Change in Fund Balance	(51,157)	399	(255,761)	(306,519)
Fund Balance:				
Beginning of year	2,314,163	53,348	984,406	3,351,917
End of year	<u>\$ 2,263,006</u>	<u>\$ 53,747</u>	<u>\$ 728,645</u>	<u>\$ 3,045,398</u>

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balance - Governmental Funds \$ (306,519)

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:

	\$	465,268	
Capital outlays, net of deletions			
Less: depreciation expense, net of deletions		(264,018)	201,250

Some taxes will not be collected until after the Borough's year-end; they are not considered "available" revenues in the governmental funds. Unavailable revenues increased by this amount during the year.	204,158
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The repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. This transaction, however, has no effect on net position. This is the amount of principal repaid on long-term obligations during the year.	55,492
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Changes in the net pension liability and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements.	(100,431)
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Governmental funds do not report the net OPEB assets, as they are not considered a financial resource. The net OPEB asset was decreased by this amount during the year.	(3,169)
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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.	(32,290)
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Change in Net Position of Governmental Activities	\$ 18,491
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The notes to financial statements are an integral part of this statement.

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2015

	Budget	Actual (Budgetary Basis)	Variance with Budget
Revenues:			
Taxes	\$ 2,971,322	\$ 3,218,806	\$ 247,484
Licenses and permits	185,000	229,896	44,896
Fines and forfeits	17,550	22,829	5,279
Intergovernmental	50,345	183,316	132,971
Charges for services	27,100	89,629	62,529
Interest, rents, and royalties	793	1,003	210
Miscellaneous	36,400	109,157	72,757
Total revenues	3,288,510	3,854,636	566,126
Expenditures:			
Current:			
General government	462,025	413,092	48,933
Public safety	2,066,844	1,989,774	77,070
Public works	820,040	666,731	153,309
Culture and recreation	71,880	68,357	3,523
Conservation and development	1,500	-	1,500
Miscellaneous	93,700	354,879	(261,179)
Debt service:			
Principal	44,173	55,492	(11,319)
Interest	13,722	1,688	12,034
Total expenditures	3,573,884	3,550,013	23,871
Excess (Deficiency) of Revenues Over Expenditures	(285,374)	304,623	589,997
Other Financing Sources (Uses):			
Sale of capital assets	-	3,800	3,800
Transfers in	178,900	-	(178,900)
Transfers out	(127,500)	(80,496)	47,004
Total other financing sources (uses)	51,400	(76,696)	(128,096)
Net Change in Fund Balance	(233,974)	227,927	\$ 461,901
Cash Balance:			
Beginning of year	638,307	1,574,084	
End of year	\$ 404,333	\$ 1,802,011	

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2015

	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 201,640	\$ 207,459	\$ 5,819
Interest, rent, and royalties	-	17	17
Miscellaneous	-	172	172
Total revenues	<u>201,640</u>	<u>207,648</u>	<u>6,008</u>
Expenditures:			
Current:			
Public works	<u>202,400</u>	<u>215,542</u>	<u>(13,142)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(760)</u>	<u>(7,894)</u>	<u>(7,134)</u>
Net Change in Fund Balance	<u>(760)</u>	<u>(7,894)</u>	<u>\$ (7,134)</u>
Cash Balance:			
Beginning of year	<u>781</u>	<u>112,004</u>	
End of year	<u>\$ 21</u>	<u>\$ 104,110</u>	

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2015

	Budget	Actual (Budgetary Basis)	Variance with Budget
Revenues:			
Interest, rent, and royalties	\$ 1,000	\$ 131	\$ (869)
Expenditures:			
Capital outlay	65,000	271,690	(206,690)
Excess (Deficiency) of Revenues Over Expenditures	(64,000)	(271,559)	(207,559)
Other Financing (Sources) Uses:			
Transfers in	65,000	61,300	(3,700)
Transfer out	-	-	-
Net Change in Fund Balance	1,000	(210,259)	\$ (211,259)
Cash Balance:			
Beginning of year	900,000	984,406	
End of year	\$ 901,000	\$ 774,147	

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

BOROUGH OF WHITE OAK

STATEMENT OF NET POSITION PROPRIETARY FUND

DECEMBER 31, 2015

Assets	Business-Type Activities - Enterprise Funds			
	Major Funds		Recreation Fund	Total
	Swimming Pool Fund	Solid Waste Disposal Fund		
Current assets:				
Cash and cash equivalents	\$ 113,535	\$ 235,548	\$ 1,669	\$ 350,752
Receivables:				
Other, net of allowance for doubtful accounts of \$62,365	-	304,212	-	304,212
Due from other funds	-	59,174	-	59,174
Total current assets	113,535	598,934	1,669	714,138
Non-current assets:				
Capital assets	1,252,401	120,045	-	1,372,446
Less accumulated depreciation	(912,348)	(106,519)	-	(1,018,867)
Total non-current assets	340,053	13,526	-	353,579
Total Assets	453,588	612,460	1,669	1,067,717
Liabilities				
Liabilities:				
Accounts payable and other current liabilities	42	41,081	-	41,123
Due to other funds	333,265	83,173	-	416,438
Total Liabilities	333,307	124,254	-	457,561
Net Position				
Net investment in capital assets	340,053	13,526	-	353,579
Unrestricted	(219,772)	474,680	1,669	256,577
Total Net Position	\$ 120,281	\$ 488,206	\$ 1,669	\$ 610,156

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities - Enterprise Funds			
	Major Funds			
	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	Total
Operating Revenues:				
Charges for services	\$ 88,300	\$ 760,829	\$ 9,874	\$ 859,003
Other operating revenue	6,050	7,647	2,500	16,197
Total operating revenues	94,350	768,476	12,374	875,200
Operating Expenses:				
Employee services	68,471	-	-	68,471
Employee benefits and taxes	9,473	-	-	9,473
Purchase of services	-	572,168	6,106	578,274
Operating material and supplies	31,362	106	3,772	35,240
Administrative expenses	43,073	-	3,522	46,595
Depreciation and amortization	33,183	3,161	-	36,344
Total operating expenses	185,562	575,435	13,400	774,397
Net Operating Gain (Loss)	(91,212)	193,041	(1,026)	100,803
Nonoperating Revenues (Expenses):				
Transfers out	-	(56,000)	-	(56,000)
Refund of prior year fees	-	(4,131)	-	(4,131)
Total nonoperating revenues (expenses)	-	(60,131)	-	(60,131)
Change in Net Position	(91,212)	132,910	(1,026)	40,672
Net Position:				
Beginning of year	211,493	355,296	2,695	569,484
End of year	\$ 120,281	\$ 488,206	\$ 1,669	\$ 610,156

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

BOROUGH OF WHITE OAK

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2015

	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers	\$ 96,027	\$ 767,211	\$ 9,874	\$ 873,112
Receipt of other revenues	5,300	-	2,500	7,800
Other receipts	67,219	-	-	67,219
Payments to employees	(77,944)	-	-	(77,944)
Payments to suppliers	(74,435)	(572,427)	(13,400)	(660,262)
Net cash provided by (used in) operating activities	16,167	194,784	(1,026)	209,925
Cash Flows From Non-Capital Financing Activities:				
Interfund transfers	-	(56,000)	-	(56,000)
Cash Flows From Capital and Related Financing Activities:				
Capital expenditures	-	-	-	-
Cash Flows From Investing Activities:				
Miscellaneous	-	(4,131)	-	(4,131)
Net Increase (Decrease) in Cash and Cash Equivalents	16,167	134,653	(1,026)	149,794
Cash and Cash Equivalents:				
Beginning of year	97,368	100,895	2,695	200,958
End of year	\$ 113,535	\$ 235,548	\$ 1,669	\$ 350,752

(Continued)

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

BOROUGH OF WHITE OAK

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Continued)

YEAR ENDED DECEMBER 31, 2015

	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	Total
Reconciliation of Net Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Net operating gain (loss)	\$ (91,212)	\$ 193,041	\$ (1,026)	\$ 100,803
Adjustments to reconcile net operating gain (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	33,183	3,161	-	36,344
Change in assets and liabilities:				
Due to other funds	74,196	-	-	74,196
Due from other funds	-	1,000	-	1,000
Other receivables	-	(2,265)	-	(2,265)
Accounts payable	-	(153)	-	(153)
Total adjustments	107,379	1,743	-	109,122
Net cash provided by (used in) operating activities	\$ 16,167	\$ 194,784	\$ (1,026)	\$ 209,925

(Concluded)

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

BOROUGH OF WHITE OAK

COMBINED STATEMENT OF PLAN NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2015

	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
Other assets	\$ 2,098	\$ 6,236	\$ -	\$ 8,334
Investments (at fair value):				
Cash and cash equivalents	-	-	679,053	679,053
Common stock	170,019	571,326	-	741,345
General investment account	1,851,684	4,295,685	-	6,147,369
Total investments	2,021,703	4,867,011	679,053	7,567,767
Total Assets	2,023,801	4,873,247	679,053	7,576,101
Liabilities	1,054	619	-	1,673
Net Position Restricted For				
Pension benefits	\$ 2,022,747	\$ 4,872,628	\$ 679,053	\$ 7,574,428

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

BOROUGH OF WHITE OAK

COMBINED STATEMENT OF CHANGES IN PLAN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
<u>Additions:</u>				
Contributions:				
Commonwealth	\$ 39,208	\$ 94,100	\$ -	\$ 133,308
Employer	56,803	99,442	45,900	202,145
Employee	16,503	50,558	-	67,061
Total contributions	<u>112,514</u>	<u>244,100</u>	<u>45,900</u>	<u>402,514</u>
Investment income (loss):				
Net appreciation in fair value of investments	(74,426)	(63,388)	-	(137,814)
Interest and dividends	59,674	175,422	86	235,182
Total investment income (loss)	<u>(14,752)</u>	<u>112,034</u>	<u>86</u>	<u>97,368</u>
Total additions	<u>97,762</u>	<u>356,134</u>	<u>45,986</u>	<u>499,882</u>
<u>Deductions:</u>				
Benefits	33,866	202,360	-	236,226
Investment expense	8,076	13,120	-	21,196
Administrative expense	6,372	1,450	-	7,822
Total deductions	<u>48,314</u>	<u>216,930</u>	<u>-</u>	<u>265,244</u>
Net Increase (Decrease) in Plan Net Position	49,448	139,204	45,986	234,638
<u>Net Position:</u>				
Beginning of year	<u>1,973,299</u>	<u>4,733,424</u>	<u>633,067</u>	<u>7,339,790</u>
End of year	<u>\$ 2,022,747</u>	<u>\$ 4,872,628</u>	<u>\$ 679,053</u>	<u>\$ 7,574,428</u>

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Borough. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

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

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

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

The Borough reports the following major governmental funds:

General Fund

The General Fund is the Borough's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Liquid Fuels Fund

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

Capital Projects Fund

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

The Borough reports the following major proprietary funds:

Swimming Pool Fund

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

Solid Waste Disposal Fund

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

The Borough also reports the following other proprietary fund:

Recreation Fund

The Recreation Fund is used to account for the operations of the Recreation Board. The Recreation Board is responsible for many of the public recreational activities within the Borough.

The Borough has the following fiduciary funds:

Fiduciary Funds

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

Cash and Investments

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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 Secretary develops a budget. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and expected appropriations for the next fiscal year.

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

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

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

For 2015, the Borough budgeted all of its funds. The budgets were prepared on the cash basis. The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the General Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2015:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 227,927
Adjustments:	
To adjust revenues and other financing sources to the modified accrual basis	(256,935)
To adjust expenditures and other financing uses to the modified accrual basis	<u>(22,149)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ (51,157)</u>

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Liquid Fuels Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2015:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (7,894)
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>8,293</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 399</u>

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Capital Projects Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2015:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (210,259)
Adjustments:	
To adjust revenues and other financing sources to the modified accrual basis	200
To adjust expenditures and other financing uses to the modified accrual basis	<u>(45,702)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ (255,761)</u>

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Expenditures in Excess of Appropriations

In the General Fund, the general government, miscellaneous expenditures and debt service principal exceeded the appropriation. The excess expenditures were funded by excess revenues and fund balance.

In the Liquid Fuels Fund, the public works expenditures exceeded the appropriation. The excess expenditures were funded by excess intergovernmental revenue, interest, miscellaneous revenue, and the prior year fund balance.

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

Deferred Outflows/Inflows of Resources

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property and Earned Income Taxes

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

Solid Waste Fund Accounts Receivable

The solid waste receivable is shown net of an allowance for uncollectible amounts of \$62,365. The allowance for uncollectible amounts is estimated by management. When the Members of Council approve the liening of a sanitation account, management writes off the amount as uncollectible under the direct write-off method.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$2,500, except for machinery or equipment whose threshold is over \$1,500, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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

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

Compensated Absences

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

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

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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 \$236,482 are recorded as a non-current liability due in more than one year.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. When incurred, bond premiums and discounts would be deferred and amortized over the life of the bonds. Bonds would then be reported net of the applicable bond premium or discount. The Borough has no bonds or related costs recorded at December 31, 2015.

Fund Balance

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

Non-spendable

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

Restricted

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Committed

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

Assigned

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

Unassigned

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Net Position

Net position is classified into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted - This component of net position consists of net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Estimates

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

Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the Borough's 2015 financial statements:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions,*” and Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date.*” These statements establish new financial reporting requirements for most governments that provide their employees with pension benefits. As a result of this implementation, the Borough’s government-wide, governmental activities net position as of January 1, 2015 was restated to record the Borough’s net pension liability. The net pension liability and its related components are described more fully in Note 7. The total government-wide, governmental activities net position restatement was (\$1,235,063) as follows:

Net position at December 31, 2014, as previously presented	\$ 9,152,129
Change in accounting principle due to implementation of GASB Statement No. 68	<u>(1,235,062)</u>
Net position at December 31, 2014, as restated	<u>\$ 7,917,067</u>

Pending Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the Borough’s financial statements.

GASB Statement No. 72, “*Fair Value Measurement and Application,*” effective for fiscal years beginning after June 15, 2015 (the Borough’s financial statements for the year ending December 31, 2016). This statement addresses accounting and financial reporting issues related to fair value measurements.

GASB Statement No. 73, “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,*” effective for fiscal years beginning after June 15, 2015 (the Borough’s financial statements for the year ending December 31, 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016 (the Borough’s financial statements for the year ending December 31, 2017). This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statement Nos. 67 and 68).

GASB Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*” effective for fiscal years beginning after June 15, 2016 (the Borough’s financial statements for the year ending December 31, 2017). This statement addresses

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

reporting by OPEB plans that administer benefits on behalf of governments. This statement replaces Statement No. 43.

GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,”* effective for fiscal years beginning after June 15, 2017 (the Borough’s financial statements for the year ending December 31, 2018). This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement replaces the requirements of Statement No. 45.

GASB Statement No. 76, *“Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,”* effective for fiscal years beginning after June 15, 2015 (the Borough’s financial statements for the year ending December 31, 2016). This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55.

GASB Statement No. 77 *“Tax Abatement Disclosures,”* effective for fiscal years beginning after December 15, 2015 (December 31, 2016 year-end). This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments.

GASB Statement No. 79, *“Certain External Investment Pools and Pool Participants,”* effective for fiscal years beginning after June 15, 2015 (the Borough’s financial statements for the year ending December 31, 2016). This statement addresses accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, *“Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,”* effective for fiscal years beginning after June 15, 2016 (the Borough’s financial statements for the year ending December 31, 2017). The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81, *“Irrevocable Split-Interest Agreement,”* effective for fiscal years beginning after December 15, 2016 (the Borough’s financial statements for the year ending December 31, 2017). The objective of this statement is to improve accounting and financial

BOROUGH OF WHITE OAK

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reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *“Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,”* effective for fiscal years beginning after June 15, 2016 (the Borough’s financial statements for the year ending December 31, 2017). The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *“Financial Reporting for Pension Plans,”* No. 68, *“Accounting and Financial Reporting for Pensions,”* and No. 73, *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.”*

Management has not yet determined the effect of these statements on the Borough’s financial statements.

2. CASH AND INVESTMENTS

Cash includes amounts in demand deposit accounts. Governmental fund investments are stated at fair value which approximates cost. Pension trust fund investments are reported at fair value. Pennsylvania statutes provide for investment of governmental funds (which excludes pension trust funds) into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Borough adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or invested with approved investment pools.

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned to it. The Borough does not have a formal deposit policy for custodial credit risk. At December 31, 2015, \$2,737,680 of the Borough’s bank balance of \$3,239,724 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which

BOROUGH OF WHITE OAK

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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 \$3,031,020 as of December 31, 2015.

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

Credit Risk – The Borough has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. At December 31, 2015, the Borough does not have any investments exposed to credit risk.

Pension Trust Fund investments are held separately from those of other Borough funds. Currently, \$6,147,369 of these investments is pooled in a general investment account through Principal Financial Group. Funds are invested in a portfolio that consists of intermediate term, fixed income investments, such as public and private corporate bonds, fixed income investments, such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and U.S. government and agency-backed securities. These investments are carried at fair value. Principal Financial Group indicates from the general investment account an average effective maturity of 6.99 years and, therefore, they are subject to interest rate risk. 97% of these proprietary investments have external ratings of BBB or better. Custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments. To reduce investment risks, Principal Financial Group invests assets in a diversified portfolio. At December 31, 2015, the Borough also had Principal Financial common stock totaling \$741,345 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 \$679,053. The entire balance was exposed to custodial credit risk at December 31, 2015.

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 4.66 mills per the 2015 tax ordinance. The taxable assessed value for 2015 real estate taxes was \$390,220,757, which is

BOROUGH OF WHITE OAK

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approximately 100% of the fair market value and reflects a reassessment conducted by Allegheny County.

Real estate taxes are based on assessed valuations provided by Allegheny County (County) and are levied on April 1. These taxes are billed and collected by an elected tax collector. Taxes paid through May 31 are given a 2% discount. Amounts paid after July 31 are assessed a 10% penalty. Any uncollected balances at January 31, 2016 were turned over for collection to an outside service.

The property tax calendar for 2015 was as follows:

2015 Millage rate adopted	December 10, 2014
2015 Bills dated	April 1, 2015
2015 Two percent discount period ended	May 31, 2015
2015 Penalty period began	August 1, 2015

BOROUGH OF WHITE OAK

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YEAR ENDED DECEMBER 31, 2015

4. CAPITAL ASSETS

A summary of changes in capital assets during fiscal year 2015 is as follows:

	Balance at January 1, 2015	Additions	(Deletions)	Balance at December 31, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 758,866	\$ -	\$ -	\$ 758,866
Construction in progress	32,282	277,268	-	309,550
	<u>791,148</u>	<u>277,268</u>	<u>-</u>	<u>1,068,416</u>
Capital assets, being depreciated:				
Buildings	1,496,264	-	-	1,496,264
Land improvements	128,863	-	-	128,863
Equipment and vehicles	1,761,992	59,055	(24,277)	1,796,770
Infrastructure	5,134,553	153,222	-	5,287,775
	<u>8,521,672</u>	<u>212,277</u>	<u>(24,277)</u>	<u>8,709,672</u>
Less accumulated depreciation for:				
Buildings	(1,248,115)	(30,442)	-	(1,278,557)
Land improvements	(136,252)	(114)	-	(136,366)
Equipment and vehicles	(1,421,031)	(84,692)	21,743	(1,483,980)
Infrastructure	(717,674)	(170,513)	-	(888,187)
Total accumulated depreciation	<u>(3,523,072)</u>	<u>(285,761)</u>	<u>21,743</u>	<u>(3,787,090)</u>
Governmental activities				
Capital assets, net	<u>\$ 5,789,748</u>	<u>\$ 203,784</u>	<u>\$ (2,534)</u>	<u>\$ 5,990,998</u>

As of December 31, 2015, construction in progress consists of the construction of the Borough's recreation center.

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	Balance at January 1, 2015	Additions	(Deletions)	Balance at December 31, 2015
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets, being depreciated:				
Building and pool	1,106,675	-	-	1,106,675
Sewage system	-	-	-	-
Computers and equipment	215,756	-	-	215,756
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
	1,322,431	-	-	1,322,431
Less accumulated depreciation for:				
Building and pool	(731,237)	(28,858)	-	(760,095)
Computers and equipment	(251,271)	(7,486)	-	(258,757)
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
Total accumulated depreciation	(982,508)	(36,344)	-	(1,018,852)
Business-type activities				
Capital assets, net	\$ 389,923	\$ (36,344)	\$ -	\$ 353,579

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

Governmental Activities:

General government	\$ 39,486
Public safety	32,021
Public works	214,254
Total depreciation expense - governmental activities	\$ 285,761

Business-Type Activities:

Pool	\$ 33,183
Solid waste	3,161
Total depreciation expense - enterprise activities	\$ 36,344

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers at December 31, 2015 are summarized below:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 466,601	\$ (59,174)
Liquid Fuels Fund	-	(50,363)
Swimming Pool Fund	-	(333,265)
Capital Projects Fund	200	-
Solid Waste Disposal Fund	59,174	(83,173)
Total	<u>\$ 525,975</u>	<u>\$ (525,975)</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 56,000	\$ (61,500)
Capital Projects Fund	61,500	-
Solid Waste Disposal Fund	-	(56,000)
Total	<u>\$ 117,500</u>	<u>\$ (117,500)</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, except the \$333,265 due to the General Fund from the Swimming Pool Fund. The Swimming Pool Fund will reimburse the General Fund for payroll expenditures when funds become available.

6. LONG-TERM DEBT

General Obligation Note 2003

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

BOROUGH OF WHITE OAK

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YEAR ENDED DECEMBER 31, 2015

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 7,017</u>	<u>\$ 257</u>	<u>\$ 7,274</u>

Authority for Improvements in Municipalities (AIM)

This is a General Obligation Note (note) issued for the purpose of purchasing a public works vehicle and equipment. The note was issued April 2010 for \$108,666 at a 1.79% interest rate for a term of five years with annual principal payment of \$21,733 plus interest. The debt service payments commenced in April 2011. This note was paid in full in 2015.

Pennsylvania Infrastructure Bank Note

On March 10, 2010, the Borough entered in a general obligation note agreement with the Pennsylvania Infrastructure Bank in the principal amount of \$108,666 for the purchase of a public works vehicle and equipment. The note is due in five annual installments of \$22,804, including principal and interest. The debt service payments commenced in March 2011. The note carries an interest rate of 1.625% and matures in March 2015. This note was paid in full in 2015.

Governmental Activities:

	<u>Balance at January 1, 2015</u>	<u>Principal Repayments</u>	<u>Other Changes</u>	<u>Balance at December 31, 2015</u>	<u>Due Within One Year</u>
Loans and notes	\$ 62,509	\$ (55,492)	\$ -	\$ 7,017	\$ 7,017
Compensated absences	204,192	32,290	-	236,482	-
	<u>\$ 266,701</u>	<u>\$ (23,202)</u>	<u>\$ -</u>	<u>\$ 243,499</u>	<u>\$ 7,017</u>

7. PENSION PLANS

Summary of Significant Accounting Policies

Financial information of the Borough's pension plans is presented on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Employer contributions to the plans are recognized when due as required by applicable law. Investments of the plans are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national

BOROUGH OF WHITE OAK

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exchanges are valued at the last reported sales price. The plans did not have any investment transactions with related parties during the year.

Plan Descriptions

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

As of December 31, 2015, pension membership consisted of the following:

	<u>Non-Uniformed</u>	<u>Police</u>
Inactive plan members or beneficiaries currently receiving benefits	3	10
Inactive plan members entitled to but not yet receiving benefits	6	0
Active plan members	9	12
Total plan members	<u>18</u>	<u>22</u>

Benefits Provided – Non-Uniformed Plan

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

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

Disability Benefit - If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit after nine years of service. The scheduled benefit is the accrued

BOROUGH OF WHITE OAK

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benefit at date of disablement, offset by Social Security disability benefits for the same injury. Payments will continue until the earliest of recovery, death, or normal retirement.

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

Benefits Provided – Police Plan

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

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

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

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

Contributions and Funding Policy

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

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

For 2015, both employee groups were required to contribute based upon the financial requirements established by their collective bargaining contract. In 2015, the Non-Uniformed Plan contribution rate was 3.25% and the Police Retirement Plan contribution rate was 5.0% of their compensation.

During the year, the Borough made its required contribution of \$96,011 and \$193,542 to the Non-Uniformed and Police Plans, respectively, based upon the MMO. A portion of the required contribution was funded through the Commonwealth of Pennsylvania funding.

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

Net Pension Liability

The components of the net pension liability of the pension plans at December 31, 2015 were as follows:

	<u>Non-Uniformed</u>	<u>Police</u>
Total pension liability	\$ 2,375,369	\$ 6,087,176
Plan fiduciary net position	<u>2,022,747</u>	<u>4,872,628</u>
Net pension liability	<u>\$ 352,622</u>	<u>\$ 1,214,548</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>85.2%</u>	<u>80.0%</u>

BOROUGH OF WHITE OAK

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Changes in the Net Pension Liability

The changes in the net pension liability of the Non-Uniformed Plan for the year ended December 31, 2015 were as follows:

	<u>Increases / Decreases</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2014	\$ 2,236,431	\$ 1,973,299	\$ 263,132
Changes for the year:			
Service cost	44,068	-	44,068
Interest	133,976	-	133,976
Changes in benefit terms	19,398	-	19,398
Differences between expected and actual experience	(30,461)	-	(30,461)
Changes in assumptions	6,877	-	6,877
Contributions - employer	-	96,011	(96,011)
Contributions - employee	-	16,503	(16,503)
Net investment income	-	(14,752)	14,752
Benefit payments, including refunds	(34,920)	(34,920)	-
Administrative expense	-	(13,394)	13,394
Net changes	<u>138,938</u>	<u>49,448</u>	<u>89,490</u>
Balances at December 31, 2015	<u>\$ 2,375,369</u>	<u>\$ 2,022,747</u>	<u>\$ 352,622</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>85.16%</u>

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The changes in the net pension liability of the Police Plan for the year ended December 31, 2015 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$ 5,637,913	\$ 4,733,424	\$ 904,489
Changes for the year:			
Service cost	210,415	-	210,415
Interest	350,368	-	350,368
Differences between expected and actual experience	(76,150)	-	(76,150)
Changes in assumptions	166,990	-	166,990
Contributions - employer	-	193,542	(193,542)
Contributions - employee	-	50,558	(50,558)
Net investment income	-	112,034	(112,034)
Benefit payments, including refunds	(202,360)	(202,360)	-
Administrative expense	-	(14,570)	14,570
Net changes	449,263	139,204	310,059
Balances at December 31, 2015	\$ 6,087,176	\$ 4,872,628	\$ 1,214,548
Plan fiduciary net position as a percentage of the total pension liability			80.05%

BOROUGH OF WHITE OAK

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YEAR ENDED DECEMBER 31, 2015

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

	<u>Non-Uniformed</u>	<u>Police</u>
Actuarial assumptions:		
Actuarial valuation date	1/1/2015	1/1/15
Actuarial cost method	Entry age normal 6.0% pre-termination	Entry age normal
Investment rate of return	5.5% post-termination	6.00% all periods
Projected salary increases	4.0% including inflation	4.5% including inflation
Includes inflation - at	3.0%	3.0%

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

Non-Uniformed

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

Police

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

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

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

Credit Risk - Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plans have no investment policy for credit risk. At December 31, 2015, all plan assets were invested in an annuity contract held by Principal Financial Group, which is not rated.

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

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YEAR ENDED DECEMBER 31, 2015

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2015:

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

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2015, the annual money-weighted rate of return on the Non-Uniformed Plan and Police Plan investments, net of investment expense, was (-.75%) and 2.41%, respectively.

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

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

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

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

BOROUGH OF WHITE OAK

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Non-Uniformed *	\$ 643,674	\$ 352,622	\$ 103,457
	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Police	\$ 2,005,346	\$ 1,214,548	\$ 557,116

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

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

For the year ended December 31, 2015, the Plans recognized pension expense of approximately \$390,000. At December 31, 2015, the Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Uniformed Plan	Police Plan	Total
<u>Deferred Outflow of Resources:</u>			
Changes in assumption	\$ 5,579	\$ 138,687	\$ 144,266
Net difference between projected and actual earnings on pension plan investments	106,894	135,915	242,809
Total deferred outflows of resources	\$ 112,473	\$ 274,602	\$ 387,075
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 24,714	\$ 63,243	\$ 87,957
Total deferred inflows of resources	\$ 24,714	\$ 63,243	\$ 87,957

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

<u>Year Ending December 31,</u>	
2016	\$ 71,649
2017	71,649
2018	71,649
2019	71,650
2020	12,521
Thereafter	<u>-</u>
	<u>\$ 299,118</u>

8. OTHER POSTEMPLOYMENT BENEFITS

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

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

Funding Policy. The plan is considered “partially funded.” For fiscal year 2015, the Borough contributed \$45,900 to the plan. Employees are not required to make contributions for basic life insurance or health insurance.

Annual OPEB Cost. The Borough’s annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of *the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about age, mortality, and the healthcare costs trend.

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

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Annual required contribution	\$ 45,779
Interest on net OPEB obligation	(3,550)
Adjustment to annual required contribution	<u>6,840</u>
Annual OPEB cost	49,069
Contributions made	<u>45,900</u>
Increase (decrease) in net OPEB obligation	3,169
Net OPEB obligation (asset) beginning of year	<u>(70,999)</u>
Net OPEB obligation (asset) end of year	<u><u>\$ (67,830)</u></u>

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

Actuarial valuation date	1/1/2012
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	Market value
Remaining amortization period	15 years
Actuarial assumptions:	
Investment rate of return	5.0%
Health care inflation rate	5%
Dental inflation rate	3%
Age adjustment for health care costs:	
Age 45	\$ 4,494
Age 50	5,287

For the Actuarial Valuation report dated January 1, 2012, the actuarial value of assets is \$439,161, and the actuarial accrued liability is \$625,626 for a funded ratio of 70%. The assets are included in the Retirement Trust Fund, which is a fiduciary fund included in the Borough's financial statements. While the Borough has not taken all necessary steps to legally make the Retirement Trust Fund irrevocable, the Borough's current and past intent, and past practice has been that the Trust Fund be treated as irrevocable and the Actuarial Valuation treats it as such. For the year ended December 31, 2015, the actuarial information

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

in the Actuarial Valuation dated January 1, 2012 was used to roll forward the OPEB asset, as it was deemed to not materially impact the financial statements.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
December 31, 2015	\$ 49,069	93.24%	\$ (67,830)
December 31, 2014	49,230	92.95%	(70,999)
December 31, 2013	48,313	140.96%	(74,472)

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, 2015, 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, 2015 totaled \$332,231. Under the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the plan is not required to be included in the Borough's financial statements.

10. COMMITMENTS AND CONTINGENCIES

The Borough has committed to a roof rehab project for the Community Center of approximately \$99,000. 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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

11. SUBSEQUENT EVENT

The Borough has secured a line of credit with a \$600,000 limit to assist with expenses for the construction of the Community Center. Also, the Borough was awarded a \$500,000 grant from the Commonwealth of Pennsylvania Department of Conservation and Natural Resources for this project, which will be used to repay the line of credit.

**Required Supplementary
Information - Pension Plan
Disclosures**

BOROUGH OF WHITE OAK

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

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

POLICE PLAN

YEAR ENDED DECEMBER 31

	2015	2014
Total Pension Liability:		
Service cost	\$ 210,415	\$ 173,863
Interest	350,368	337,829
Differences between expected and actual experience	(76,150)	-
Changes of assumptions	166,990	-
Benefit payments, including refunds of member contributions	(202,360)	(207,248)
Net Changes in Total Pension Liability	449,263	304,444
Total Pension Liability - Beginning	5,637,913	5,333,469
Total Pension Liability - Ending (a)	\$ 6,087,176	\$ 5,637,913
Plan Fiduciary Net Position:		
Contributions - employer	\$ 193,542	\$ 167,242
Contributions - member	50,558	48,167
Net investment income (includes investment expenses)	112,034	310,683
Benefit payments, including refunds of member contributions	(202,360)	(207,248)
Administrative expense	(14,570)	(6,521)
Net Change in Plan Fiduciary Net Position	139,204	312,323
Plan Fiduciary Net Position - Beginning	4,733,424	4,421,101
Plan Fiduciary Net Position - Ending (b)	\$ 4,872,628	\$ 4,733,424
Net Pension Liability - Ending (a-b)	\$ 1,214,548	\$ 904,489
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.0%	84.0%
Covered Employee Payroll	\$ 1,011,192	\$ 979,362
Net Pension Liability as a Percentage of Covered Employee Payroll	120.1%	92.4%

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

BOROUGH OF WHITE OAK

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

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

NON-UNIFORMED PLAN

YEAR ENDED DECEMBER 31

	2015	2014
Total Pension Liability:		
Service cost	\$ 44,068	\$ 46,742
Interest	133,976	131,901
Changes of benefit terms	19,398	-
Differences between expected and actual experience	(30,461)	-
Changes of assumptions	6,877	-
Benefit payments, including refunds of member contributions	(34,920)	(34,891)
Net Changes in Total Pension Liability	138,938	143,752
Total Pension Liability - Beginning	2,236,431	2,092,679
Total Pension Liability - Ending (a)	\$ 2,375,369	\$ 2,236,431
Plan Fiduciary Net Position:		
Contributions - employer	\$ 96,011	\$ 103,085
Contributions - member	16,503	14,909
Net investment income (includes investment expenses)	(14,752)	90,275
Benefit payments, including refunds of member contributions	(34,920)	(34,891)
Administrative expense	(13,394)	(5,183)
Net Change in Plan Fiduciary Net Position	49,448	168,195
Plan Fiduciary Net Position - Beginning	1,973,299	1,805,104
Plan Fiduciary Net Position - Ending (b)	\$ 2,022,747	\$ 1,973,299
Net Pension Liability - Ending (a-b)	\$ 352,622	\$ 263,132
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.2%	88.2%
Covered Employee Payroll	\$ 480,137	\$ 484,121
Net Pension Liability as a Percentage of Covered Employee Payroll	73.4%	54.4%

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

BOROUGH OF WHITE OAK

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION -
PENSION PLANS

SCHEDULES OF BOROUGH'S CONTRIBUTIONS
AND INVESTMENT RETURNS

YEAR ENDED DECEMBER 31

NON-UNIFORMED PLAN:

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Schedule of Borough's Contributions									
Actuarially determined contribution	\$ 96,011	\$ 103,085	\$ 107,037	\$ 92,800	\$ 96,682	\$ 89,323	\$ 65,187	\$ 48,777	\$ 51,722
Contributions in relation to the actuarially determined contribution	96,011	103,085	107,040	92,800	81,688	89,316	65,187	60,309	59,952
Contribution deficiency (excess)	\$ -	\$ -	\$ (3)	\$ -	\$ 14,994	\$ 7	\$ -	\$ (11,532)	\$ (8,230)
Covered employee payroll	\$ 480,137	\$ 484,121		\$ 568,094		\$ 583,538		\$ 714,650	
Contributions as a percentage of covered employee payroll	20.0%	21.3%		16.3%		15.3%		8.4%	
Investment Returns									
Annual money-weighted rate of return, net of investment expense	-0.75%	4.22%							

POLICE PLAN:

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Schedule of Borough's Contributions									
Actuarially determined contribution	\$ 193,542	\$ 167,242	\$ 175,781	\$ 167,645	\$ 168,805	\$ 177,625	\$ 96,000	\$ 51,213	\$ 61,891
Contributions in relation to the actuarially determined contribution	193,542	167,242	175,781	167,645	161,299	177,626	96,000	51,213	61,891
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ 7,506	\$ (1)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,011,192	\$ 979,362		\$ 808,844		\$ 915,360		\$ 866,062	
Contributions as a percentage of covered employee payroll	19.1%	17.1%		20.7%		19.4%		5.9%	
Investment Returns									
Annual money-weighted rate of return, net of investment expense	2.41%	4.37%							

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

BOROUGH OF WHITE OAK

NOTE TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

YEAR ENDED DECEMBER 31, 2015

Actuarial Methods and Assumptions Used in Calculation of Actuarially Determined Contribution

The latest valuations available are dated January 1, 2015; however the contribution and contribution rate information presented in the required supplementary schedules was determined as part of the January 1, 2013 actuarial valuations. Additional information as of the January 1, 2013 valuation follows:

	<u>Non- Uniformed</u>	<u>Police</u>
Actuarial valuation date	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed
Amortization period	9 years	12 years
Asset valuation method	Fair Value	Fair Value
Actuarial assumptions:		
Investment rate of return	6.25%	6.25%
Post-retirement interest rate	N/A	N/A
Projected salary increases	4.5% including inflation	4.5% including inflation
Underlying inflation rate	3.00%	3.00%
Cost-of-living adjustments	N/A	N/A

**Required Supplementary
Information – OPEB Plans**

BOROUGH OF WHITE OAK
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLANS

YEAR ENDED DECEMBER 31, 2015

(Dollar Amounts in Thousands)

Actuarial Valuation Date	(a) Actuarial Value of Asset	(b) Actuarial Accrued Liability	Overfunded (Unfunded) Actuarial Accrued Liability	(a/b) Funded Ratio	(c) Covered Payroll	Overfunded (Unfunded) Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c)
01/01/12	\$ 439,161	\$ 625,626	\$ (186,465)	70.2%	N/A	N/A
01/01/09	192,370	706,353	(513,983)	27.2%	N/A	N/A

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2015

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

Actuarial valuation date	1/1/2012
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	Market Value
Remaining amortization period	15 years
Actuarial assumptions:	
Investment rate of return	5.0%
Health care inflation rate:	

Year	Medical/Rx	Dental
2012	4.00%	0.00%
2013 and later	5.00%	3.00%

Premium Schedules as of January 1, 2012

Age	Medical/Rx
45	\$ 4,494
50	5,287
55	6,218
60	7,421
64	8,353