

Borough of White Oak

Financial Statements and Required
Supplementary and Supplementary Information

Year Ended December 31, 2010
with Independent Auditor's Report

MaherDuessel
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Pittsburgh | Harrisburg | Butler

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BOROUGH OF WHITE OAK

YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

Independent Auditor's Report

Management's Discussion and Analysis	i
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Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets	1
Statement of Activities	2

Fund Financial Statements:

Balance Sheet – Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund – Budgetary Basis	7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Super Fund – Budgetary Basis	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Debt Fund – Budgetary Basis	9
Statement of Net Assets – Proprietary Fund	10

BOROUGH OF WHITE OAK

YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

(Continued)

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	11
Statement of Cash Flows – Proprietary Fund	12
Combined Statement of Fiduciary Net Assets – Fiduciary Funds	14
Combined Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	15
Notes to Financial Statements	16
 Required Supplementary Information:	
Pension Plans:	
Schedules of Funding Progress	43
Schedules of Contributions from Employer and Other Contributing Entities	44
Note to Required Supplementary Information	45
OPEB Plans:	
Schedule of Funding Progress - Other Post-Employment Benefit Plans	46
Postemployment Benefits other than Pension Benefits (OPEBs) Factors and Trends used in Actuarial Valuation	47
 Supplementary Information:	
Combining Balance Sheet – Other Governmental Funds	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Other Governmental Funds	49

BOROUGH OF WHITE OAK

YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Funds – Budgetary Basis	50
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund – Budgetary Basis	51

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, 2010, which collectively comprise the Borough's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Borough's earned income taxes, business privilege and mercantile taxes, local services taxes, garbage fees, and delinquent real estate taxes (stated in the fund financial statements at \$663,230, \$286,613, \$12,547, \$473,993, and \$41,410, respectively, for the year ended December 31, 2010) are collected by an outside service. We were unable to obtain audited financial statements of the outside service supporting the amounts collected as an independent audit of the outside service is not performed. Accordingly, we were unable to satisfy ourselves as to (1) whether all of the Borough's earned income taxes, business privilege and mercantile taxes, local services taxes, garbage fees, and delinquent real estate taxes were properly remitted to the Borough and (2) whether actual remittances to the Borough were made on a timely basis.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine additional evidence regarding the Borough's earned income taxes, business privilege and mercantile taxes, local services taxes, garbage fees, and delinquent real estate taxes, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Super Fund, and the Capital Debt Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through xvi and the pension and OPEB information on pages 43 through 47 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.

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

Maher Duessel

Pittsburgh, Pennsylvania
October 10, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

This section of the Borough of White Oak's (Borough) financial statements present a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2010. 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, 2010. The MD&A provides a comparative analysis between 2010 and 2009 of the government-wide data.

REVIEWING THE ANNUAL AUDIT REPORT

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

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

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

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

THE BOROUGH AS A WHOLE ANALYSIS

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

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 are 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's 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.

FINANCIAL HIGHLIGHTS

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

The term "net assets" replaces the term "fund balance" as the difference between assets and liabilities.

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

The Borough's net assets at December 31, 2010 were \$8,880,661 of which \$2,473,047 is invested in capital assets, net of related debt. Capital assets account for approximately 28% of the Borough total assets of \$14,200,083. The remainder of the Borough's net assets includes cash and cash equivalents and receivables.

The Borough's net assets at December 31, 2009 were \$9,268,236 of which \$2,534,766 is invested in capital assets, net of related debt. Capital assets account for approximately 26% of the Borough total assets of \$9,799,024. The remainder of the Borough's net assets includes cash and cash equivalents and receivables.

The Borough's total liabilities are \$5,319,422 as of December 31, 2010 and consist of long-term debt, accounts payable, and other accrued liabilities. At December 31, 2009, the Borough's total liabilities are \$530,788 as of December 31, 2009 and consist of long-term debt, accounts payable, and other accrued liabilities.

There were no capital asset purchases or improvements through the Solid Waste/Recycling/Composting in 2010.

There were capital asset purchases or improvements through the Swimming Pool/Park Fund in 2010. They are as follows:

Bishop Playground

There was a major renovation project on the site which 99% was completed in 2009, which costs \$119,308. In 2010, bike racks and basketball court stencils were purchased and installed at the site. The cost of the material was \$2,151 for the racks and \$675 for the court stencils. Labor associated with the installation of the bike rack was four (4) man hours for a total cost of \$83.23 per hour, for a total of \$2,235. As for the basketball court stencils, the contractor that installed the playground equipment painted this at no charge to the Borough. The total cost for renovation of the Bishop Playground in 2010 was \$122,218.

Heritage Hill Pool Complex

In 2010, the Borough had the outside of the pool bathhouse painted along with replacement of a number of T111 Siding Sheets. Cost for contractor and materials were \$5,705. White Oak Borough also purchased plastic lockers for installation inside the bathhouse. The cost of the lockers was \$6,613. It took 58 hours of Public Works personnel time to install the lockers at a cost of \$1,358 for a grand total of \$7,972.

White Oak Borough also installed new lighting fixtures around the bathhouse. Cost of the material/labor was \$1,300. Materials and work were provided by an outside contractor.

**MANAGEMENT’S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

The security cameras/equipment was upgraded. The total cost of this was \$1,000. Cost of the material/labor was provided by an outside contractor.

An AED was donated by Harketl, Inc. for the use at the pool. The cost of the AED is \$1,100. The Borough was required to purchase and install an AED storage cabinet. The cost of the cabinet was \$207. The unit was installed by Public Works personnel. It took one (1) man hour at a cost of \$23.41 for a grand total of \$1,331 (includes donated AED).

In late 2007, the Borough received a proposal for replacement of the flat roof on the HHP Pool Bath House. After receiving the proposal, Council discussed modification of the structure with a pitched roof. Specifications were drawn up by the engineering firm and bids were received. Unfortunately, the bids projections came in a lot higher than anticipated (\$100,000). As there were no sufficient funds to proceed with the project, the bids were rejected. It is the Borough’s position that the project is worthwhile and we will keep the specs on hand. If state or federal grant/stimulus funding becomes available in the future, the project is what would be considered “shovel ready”.

In conjunction with state liquid fuels monies being distribution, the municipalities are required to have local bridges inspected via a third party contracted by the state. These inspections are completed every two (2) years and the cost of the inspection is deducted from our annual liquid fuels allocation. In 2007, the Borough was advised that some major work was needed on the Oakview Bridge. To determine the most cost efficient way to perform these repairs/upgrades the engineering firm was asked to consult on the matter. The Public Works Department was unable to complete any work on the suggested repairs/upgrades in 2009. Although no work was performed in 2010, per the report provided by Penn DOT, the engineer did complete a review of the structure in 2011 and has indicated the structure can be repaired. Estimated cost of the repair is \$96,000. We hope to be able to provide funding for this project under the 2012 Budget.

Significant additions to capital assets were as follows:

Equipment

Date	Number	Description	Costs	Department
1/2010	2	Video Cameras – mounted in police cruisers	\$2,000	Police
1/2010	1	Air Compressor	1,925	Public Works
1/2010	1	Desk Top Computer	611	Police
2/2010	2	Glocks – w. nightsite, holster, mag, pouch	1,394	Police
3/2010	1	2010 Peterbilt Dump w/gate, hoist, plow	107,350	Public Works
3/2010	1	Door – Security Lock	400	Police
5/2010	24	Executive Chairs	7,613.	Administration
6/2010	2	2010 Ford F550 Dump w/gate, hoist, plow	129,792	Public Works
9/2010	1	ENRADD Speed Detector w/case	4,366	Police
9/2010	2	Desk Top Computers	1,434	Police
9/2010	1	Computer Server	2,101	Police
9/2010	1	Paper Shredder	510.	Police
10/2010	1	Trailer – haul equipment	3,350	Public Works
11/2010	2	Bullet Resistant Vests	1,412	Police

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

11/2010		Repair Fuel Tanks	3,800	PW & PD
11/2010		Safety Glass – Police Counter	498	Police
11/2010	1	Taser	610	Police
11/2010	3	Tailgate Spreaders	11,655	Public Works
TOTAL COSTS			\$277,021	

Infrastructure

The infrastructure projects included one (1) storm sewer project, sixteen (16) catch basins projects, as well as a soft spot road repair.

Project No.	Description	Cost
10-01	Catch Basin – 2198 Pleasant Drive	\$3,009
10-02	Catch Basin – McClure/Kansas	3,459
10-03	Catch Basin – 1601 Kansas	883
10-04	Catch Basin – Capitol/Vermont	2,381
10-05	Catch Basin – Kelly/California	1,790
10-06	Catch Basin – 300 Block Congress	2,026
10-07	Catch Basin – Midway	1,981
10-08	Catch Basin – Circle/Midway	1,604
10-09	Catch Basin – Riverview	1,208
10-10	Catch Basin – East Entrance – White Oak Farms	3,165
10-11	Catch Basin – West Entrance – White Oak Farms	2,812
10-12	Catch Basin – 2048 Lewis	1,771
10-13	Catch Basin – Center St. Ext. (between WOF Entrances)	1,190
10-14	Catch Basin – Corner of Bryn Mawr Bridge & Parkway	3,078
10-15	Catch Basin – 1303 Rankin	2,119
10-16	Mill – Center St. Ext.	3,448
10-17	Catch Basin – Congress/Vermont	887
10-18	2010 Road Rehab Project (numerous road)	1,345,381
10-19	Fuel Tank Repairs	3,800
TOTAL COSTS		\$1,385,992

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 assets of these funds is \$5,432,965 at December 31, 2010 and \$4,662,282 at December 31, 2009.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

OTHER FINANCIAL HIGHLIGHTS

Government –Wide Financial Statements

Program revenues for fiscal year 2010 of \$1,225,014 consist mainly of charges for services (70%) which relate mainly to solid waste billing. A change in the format of season pool passes fees help to generate additional revenue for this enterprise fund. Hopefully, the increase in revenue from the change will continue in future years and just wasn't based on a warmer summer season. General revenues of \$2,691,579 consist mainly of real estate and earned income taxes. Expenses totaled \$4,304,168 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, 2010 is a negative \$387,575. For the government-wide financial statements, transfers have been eliminated. Note there is a reduction of \$77,315 in the general revenues from 2009 to 2010. This can be attributed to several items. They are the reduction in interest income received on checking account balances as well as our Certificates of Deposits and a decrease in delinquent collections of the Earned Income Tax and Business Privilege Tax as well as a decrease in the current Mercantile Tax. The loss in current Mercantile Tax revenue is due to the closing of one of the two remaining new auto dealers located within the Borough. Hopefully with the relocation of a Dodge Jeep dealership coming into the Borough, the decrease in the current Mercantile Tax will rectify itself.

Program revenues for fiscal year 2009 of \$1,259,441 consist mainly of charges for services (75%) which relate mainly to solid waste billing. General revenues of \$2,768,904 consist mainly of real estate and earned income taxes. Expenses totaled \$3,838,558 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, 2009 is a positive \$189,787. For the government-wide financial statements, transfers have been eliminated. Note there is a reduction of \$261,242 in the general revenues from 2008 to 2009. This can be attributed to the reduction in interest income received on checking account balances as well as our Certificates of Deposits.

Fund Statements

For the year ending December 31, 2010, real estate and other taxes (EIT, BP, MT, and RAD) account for the majority of the Borough revenues (64%). Without the RAD and Miscellaneous Taxes being included, that percent is reduced to 57%. Similarly, for the year ending December 31, 2009, real estate and all other taxes accounted for 79%.

Real Estate Taxes and Assessed Value

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

	2008	2009	2010
Assessed Value 12/31	\$335,899,388	\$336,915,588	\$336,655,388
Purpose			
General	4.16	4.16	4.16
Fire	0.00	0.00	0.00
Total	4.16	4.16	4.16
Face Value of Statement	1,394,635	1,401,569	1,400,486

MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010

The taxable assessed value shows a decrease from 1/1/2010 to 12/31/2010 of \$484,850, which represents a decrease of \$2,017 in face value of real estate tax. This net decrease is due to tax appeals, exonerations and abatement granted by Allegheny County as well as additions during the year of 2010. The taxable assessed value shows a decrease of \$745,050 from 2009 to 2010. This represents a decrease of \$30,992 in the face value of real estate tax. The taxable assessed value shows an increase of \$1,016,200 from 2008 to 2009. This represents an increase of \$6,934 in the face value for real estate tax.

Based on 2010 information, approximately 66.1% of the real estate tax levy is paid at the 2% discount rate; another 12.6% was paid at face value, while 17% was paid at penalty. This left approximately 4.0% that is turned over to the Delinquent Real Estate Tax Collector (Keystone Municipal Collection) of which about two thirds would be considered collectible. Based on 2008 information, approximately 86% of the real estate tax levy is paid at the 2% discount rate; another 6% was paid at face, while 3% was paid at penalty. This left approximately 5% that was turned over to the Delinquent Real Estate Tax Collector (Keystone Municipal Collections) of which about half would be considered collectible. A large number of the delinquent accounts are properties that have no current mailing addresses.

Based on 2009 information, approximately 86.5% of the real estate tax levy is paid at the 2% discount rate; another 5.4% was paid at face value, while 4.0% was paid at penalty. This left approximately 4.0% that is turned over to the Delinquent Real Estate Tax Collector (Keystone Municipal Collection) of which about two thirds would be considered collectible. Based on 2008 information, approximately 86% of the real estate tax levy is paid at the 2% discount rate; another 6% was paid at face, while 3% was paid at penalty. This left approximately 5% that was turned over to the Delinquent Real Estate Tax Collector (Keystone Municipal Collections) of which about half would be considered collectible. A large number of the delinquent accounts are properties that have no current mailing addresses.

As you can see, there was a 20% decrease in the percentage collected at discount and a 6% increase paid at face as well as a 14% increase in the amount paid at penalty.

The Borough turned over a total of \$50,298 for 2007, \$56,568 for 2008, \$54,550 for 2009, and \$58,319 for 2010 in tax levies to Keystone Municipal Collections, the Borough's Delinquent/Liened Real Estate Tax Collector. This represents a 6.9% increase in value from 2009 to 2010. The unpaid taxes for 2010 equal 4.3% of the total statement value as of December 31, 2010.

Although there was only a slight increase of \$3,769 in the value turned over for delinquent collection, there was a major decrease in the percentage of tax paid at discount; down from the norm of approximately 85% on an annual basis to 66%. This resulted in more taxes being paid at face and penalty than prior years. This can probably be attributed to the downturn in the economy.

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

The 2010 median value of a residential home within White Oak Borough shows a very slight increase to \$72,500 over the 2009 medium value of \$72,350 and over the 2008 median value of

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

\$72,250. This value is listed on the Allegheny County Website – Municipal Map, Community Profile Page.

Based on 2010 medium value, a property owner would pay the following in real estate taxes and represents an annual increase over 2009 of \$3.84.

Taxing Jurisdiction	2010
County (4.69)	\$339.32
Borough (4.16)	\$300.97
School District (16.71)	\$1,208.97
TOTAL	\$1,853.10

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

2010

Fund Name	Expenses	Revenues	Non-operating	Expenses Over (+) Under (-) Revenues
Swimming Pool	\$160,681	\$102,1260	\$196,434*	+\$137,879
Sewer (closed out)	0	0	0	0
Solid Waste Disposal	606,868	609,701	-38,367	-35,534
Other Recreation Fund	10,414	11,641	21	-1,248

*In 2010, Council authorized the exoneration of a \$196,434 liability due to the General Fund from the Pool Fund. This liability represents approximately 4 years of payroll. As the pool operation has really never been profitable, the pool personnel payroll has never been reimbursed to the General Fund.

2009

Fund Name	Expenses	Revenues	Non-operating	Expenses Over (+) Under (-) Revenues
Swimming Pool	\$145,583.00	\$75,763.00	\$0.00	+\$69,820.00
Sewer*	0.00	0.00	-93,955	0.00
Solid Waste Disposal	545,252.00	585,709.00	-30,444	-10,013.00
Other Recreation Fund	8,458.00	10,805.00	0.00	-2,347.00

*In 2009, the monetary (\$22,715) and fixed assets (\$71,240) as well as the real estate were transferred to the General Fund. With this transfer, the former municipal authority is completely dissolved. This will not be shown in future MDA Reports.

General Fund Comparison of Budgeted and Actual

The 2010 revenues were \$230,978 more than the adopted Budget. The two areas where the majority of excess comes from are \$145,943 from the various taxes collected and \$37,531 from intergovernmental revenues. As a whole none of the seven (7) categories of revenues were below the original budget allocation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

The 2010 actual expenditures were \$843,206 less than budgeted. The majority of this is attributed to the Public Safety category as well as the Debt Service category. Under the Public Safety category, the major savings were associated with the Wages – Part Time Officers. The Borough budgeted for a full year of wages (2 officers/32 hours per week). The part-time officers were not hired until late December. There was also a substantial savings under the Health Insurance allocation. The Borough was hoping to switch the coverage from one vendor to another but due to a grievance filed by the department, the Borough budgeted the premium at the higher rate. The issue was finally settled in mid to late February and the coverage was then switched to a vendor who quoted a much lower rate.

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

The 2009 revenues were \$383,930 more than the adopted Budget. The two areas where the majority of excess comes from are \$163,612 from the various taxes collected and \$173,604 from charges for services. During adoption of the 2009 Budget, the Borough anticipated providing police services to Versailles Borough, but due to the fact that the agreement was not signed at the time of adoption, the Borough did not include the anticipated revenue for providing these services. The Borough had two (2) areas associated with short falls; they were Interest, Rents, and Royalties (\$4,161) and Miscellaneous Revenues (\$2,949).

The 2009 actual expenditures were \$278,009 less than budgeted. The majority of this is attributed to the Public Works categories as the Borough did not enter into any in-house or contracted paving program, did not purchase any vehicles, and delayed the return of two (2) furloughed employees to the work force for several months.

Capital Assets (pgs 27-29)

Capital assets as of December 31, 2010, net of accumulated depreciation for both Governmental and Business Type Activities, amounted to \$4,190,740. The Borough's investment in capital assets as of December 31, 2009, net of accumulated depreciation, amounted to \$2,619,385. 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 (pgs 33-34)

In June of 2010, the Borough entered into an agreement with Ford Motor Credit in the amount of \$28,454 with an interest rate of 6.9% and a term of 3 years (36 months) for the purpose of leasing a police cruiser. The initial payment was made at the time of signing leaving payments due in 2011 and 2012. The outstanding principal at the end of 2010 was \$18,312. Two payments totaling \$10,142 (including interest) will be made in June of 2011 and June of 2012.

In March 2009, the Borough entered into a lease with Dollar Bank Leasing Company in the amount of \$14,983 with interest rate of 6.05% for a period of 36 months. The purpose of this lease was to transfer ownership and financial responsibility for a police cruiser being taken over under the police services agreement with Versailles Borough. Outstanding principal as of

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

December 31, 2010 was \$5,288 with interest due in the amount of \$328. Final payment will be made in 2011.

In April of 2009, the Borough entered into a lease with Ford Motor Credit in the amount of \$59,319 with an interest rate of 6.60% for a period of 36 months for the purpose of leasing two (2) police vehicles. The outstanding principal as of December 31, 2010 is \$19,746 with interest due in the amount of \$1,303. Final payment will be made in 2011.

In July 2008, the Borough entered into a lease with Ford Motor Credit in the amount of \$53,373 with an interest rate of 5.95% for a period of 36 months. The purpose of this lease agreement was to secure (2) two police vehicles. There was no outstanding balance at December 31, 2010.

As interest rates on investments have been drastically reduced over the last few years due to the economic downturn, it is suggested the Borough may want to loan itself money from another fund for future capital lease to purchase equipment. As you can see, the interest rate charges by the finance company ranged from 5.95% to 6.9%. The Borough if so inclined and able to do so; could loan itself the funds to make the purchase then repay the borrowed funds at a lower rate than a 3rd party finance company would charge. Currently, the Borough is only receiving a 0.04% rate on a CD with a principal value of \$3,425 million. The rate of return on the fund balances is currently at 0.02%. The Borough could charge a higher rate of interest than the funds are currently earning increasing the value of interest income. At the same time, this would save the Borough money on the lease to purchase end.

(Example: Loan Amount \$20,000 at 6.9% paid annually requires a payment of \$7,638. (includes interest for the 3 year term of \$2,915.) while the same Loan Amount at an interest rate of 1.5% would require an annual payment of \$6,869 (includes interest for the 3 year term of \$607.) This would provide the Borough with a savings of approximately \$2,300. This would also increase the interest income from the loaner providing a return rate that is more than 6 times the current rate.)

Long-Term Debt (pgs 31-34)

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 12/10	Interest as of 12/10	Total Principal & Interest Due
WO#1 – fire truck	Oct 03	150,000	2.00	15	Oct 2018	83,969	6,956	90,925
AIM Loan	April 10	108,666	1.79	5	April 2015	108,666	5,845	114,511
PIB Loan	March 10	108,666	1.625	5	March 2015	108,666	5,355	114,021
PIB Loan	April 10	4,520,046	1.625	8	April 2019	4,520,046	413,743	4,933,789
WOB – pickup truck	March 07	30,494	3.56	5	March 2012	12,198	651	12,849
TOTAL						4,833,545	432,550	5,266,095

At December 31, 2010, the Borough had \$5,069,757 in long-term, short-term, and capital lease debt outstanding including compensated absences of \$192,866. Although the total loan/capital lease debt is \$4,876,891, \$4,792,922 was obtained by the Borough for capital purchases. The majority (\$4,520,046) secured by the Borough was for a three (3) year road rehab program.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

The balance of \$83,969 was secured by the Borough for the purchase of fire equipment for White Oak V.F.C. #1.

The total outstanding debt (loans, leases, compensated absences) as of December 31, 2010 represents a per occupied household burden of approximately \$1,403 (3,611 occupied units, 2010 census), The 2010 census indicates there are a total of 3,888 housing units located in White Oak. This is up 67 units from the 2000 Census. The per capita burden based on the 2010 Census of 7,862 is approximately \$644. Detailed information about the Borough's outstanding debt can be found in Note 6 of the financial statements.

The total outstanding debt (loans & compensated absences) as of December 31, 2009 represents a small per household burden of \$99.14 (3,678 occupied units, 2000 census). This also presents a small per capita burden of \$44.00 (8,288 – 2004 Census {Estimated}).

Note the difference between the 2000 and 2010 Census for the occupied units is down 67 units while the total housing units is up 67 units. Total population dropped by 575 between 2000 and 2010 and by an estimated 426 between 2004 and 2010.

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

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

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

Fiduciary Funds

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

Non-Uniformed Pension

	2009	2010
Beginning Balance	\$1,317,207	\$1,323,268
REVENUES		
Interest Income	59,608	67,429
Unrealized Gains/Losses (stock-see below)	-95,101	79,615
Foreign Casualty Ins.	37,536	38,448
Employer Contributions	27,651	50,875
Employee Contributions	12,357	22,161
Total Revenues	42,051	258,528
EXPENDITURES		
Administration Fees (Principal & Mockenhaupt)	14,423	7,752
Pension Benefits – Monthly	21,567	21,567
Pension Benefits-Lump Sum	0	0
Total Expenditures	35,990	29,319

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

Ending Balance (Cash Only)	1,323,268	1,552,477
Net Fund Balance	6,061	229,209
MMO Requirement	65,187	89,323
Per Unit Stock Value 1/1 Per Share	13.0967583	14.2804514
Total all Shares 5,657.30 1/1	74,094	80,789
Per Unit Stock Value 12/31	14.2804514	19.4708856
Total all Shares 5,657.30 12/31	80,789	110,153

Balance as of January 1, 2010 is comprised of funds assigned to investments with a stable rate of return or minimal risk factor. That value is \$1,323,268. The remainder of the beginning balance of \$110,153 is the value of the stock at the beginning of 2010.

The annual interest income rate of return for 2010 was 5.55% for general investments with a 36.35% increase in the value of the common stock.

Balance as of December 31, 2010 in General Investment was \$1,442,324 while the year-end balance in the value of the Principal Financial Group Stock Account was \$110,153.

Balance as of January 1, 2009 is comprised of funds assigned to investments with a guaranteed rate of return or minimal risk factor. That value is \$1,243,113. The remainder of the beginning balance of \$74,094 is the value of the stock at the beginning of 2009.

The annual interest income rate of return for 2009 was 5.15%.

Balance as of December 31, 2009 in General Investment was \$1,242,480 while the year-end balance in the value of the Principal Financial Group Stock Account was \$80,788.

Additional Notes:

The Non-Uniformed Pension Plan had an allocated balance of \$326,353 for retirees/non-retired participants at the beginning of 2010 and \$338,593 for retirees/non-retired participants at the end of 2010. 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 2010 was \$925,980 and at the end of 2010 was \$1,063,335.

The amount received from Foreign Casualty Insurance was not at a level sufficient enough to cover the Minimum Municipal Obligation (MMO) (\$65,187) for 2010. Therefore, the Borough was required to contribute \$27,651 under the MMO. Under Act 44 of 2009, the Borough was provided with two (2) options. They are as follows:

Option 1. Use the 2009 Actuarial Study instead of the 2007 Study when calculating the required 2010 MMO. It was the Borough's decision to use the 2009 Study when calculating the required MMO.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

Option 2. As the Borough's Plan(s) are considered to be at Level 1 (Minimal Distress) and option to pay 75% of the amortization contribution for a maximum of two (2) years. The Borough did pick this option for 2010.

The Non-Uniformed Pension Plan had an allocated balance of \$215,005 for retirees/non-retired participants at the beginning of 2009 and \$326,353 for retirees/non-retired participants at the end of 2009. 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 2009 was \$1,102,202 and at the end of 2009 was \$996,915.

The amount received from Foreign Casualty Insurance was not at a level sufficient enough to cover the MMO (\$65,187) for 2009. Therefore, the Borough was required to contribute \$27,651 under the MMO.

Police Pension Plan

	2009	2010
Beginning Balance	\$3,157,752	\$3,043,789
REVENUES		
Interest Income	200,535	213,229
Unrealized Gains/Losses	-194,698	256,714
Foreign Casualty Ins.	68,816	65,067
Employer Contributions	27,184	114,608
Employee Contributions	11,968	45,768
Total Revenues	113,805	695,386
EXPENDITURES		
Administration Fees (Principal/Mockenhaupt)	19,327	14,014
Pension Benefits	208,441	208,441
Total Expenditures	227,768	222,455
Ending Balance	3,043,789	3,516,720
Net Fund Balance	-113,963	472,931
MMO Requirement	\$96,000	\$177,626
Per Unit Stock Value 1/1 Per Share	13.0967583	14.2804514
Total for all Shares 19,010.6	74,094	271,479
	2009	2010
Per Unit Stock Value 12/31	14.2804514	19.4708856
Total for all Shares 19,010.6 12/31	271,479	370,153

Balance as of January 1, 2010 is comprised of funds assigned to investments with a stable rate of return or minimal risk factor. That value is \$3,043,789. The remainder of the beginning balance of \$271,479 is the value of the stock at the beginning of 2010.

The annual interest income rate of return for 2010 was 5.55% for general investments with a 36.35% increase in the value of the common stock.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

Balance as of December 31, 2010 in General Investment was \$3,516,720 while the year-end balance in the value of the Principal Financial Group Stock Account was \$370,153.

Balance as of January 1, 2009 is comprised of funds to assigned investments with a guaranteed rate of return or minimal risk factor. That value is \$2,908,775. The remainder of the beginning balance of \$248,977 is the value of the stock at the beginning of 2009.

The annual interest income rate of return for 2009 was 5.35%.

Balance as of December 31, 2009 in General Investment was \$2,772,309 while the year-end balance in the value of the Principal Financial Group Stock Account was \$271,480.

Additional Notes:

The Uniformed Pension Plan had an allocated balance \$1,138,678 for retiree participants at the beginning of 2010 and at the end of 2010 the allocated balance for retiree participants is \$1,372,454. 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 2010 was \$2,782,884 and at the end of the year the non-allocated balance was \$2,719,555.

The amount received from Foreign Casualty Insurance was not at a level sufficient enough to cover the Minimum Municipal Obligation (MMO) (\$177,626) for 2010. Therefore, the Borough was required to contribute \$65,067 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

2012-1; 2017-1; 2022-1;
2023-1; 2025-1; 2026-1; 2037-1

2008-1; 2015-2;
2018-1; 2027-1; 2029-1

An Actuarial Study, dated December 23, 2009, indicated the Borough will need to set aside \$947 for the next 30 years to cover the cost of the current non-uniformed employees.

(Actual Liabilities 12/31/09 - Public Works \$8,120; Admin/Office \$6,757 -- Annual Cost Public Works \$591; Admin Office \$356 - Total Annual Cost for all Non-Uniformed Employees is \$947)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

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 individual and \$8,000 for the other five (5) retirees. The recent arbitration award eliminated the post retirement medical, 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 this post retirement benefit are paid for out of the General Fund reducing the amount transferred to the Post Retirement Benefit Fund. There is also one spouse of a retired officer the Borough is responsible for providing these medical, RX, dental and vision benefits to. The spouse will be covered through the end of December 2010. Annual costs are approximately \$5,500. Our liability which will be funded through the General Fund is \$5,500 based on current premium rates.

Under a Special Settlement and Mutual Release Agreement, the Borough is required to provide hospitalization, dental, and vision coverage to a spouse if the spouse is no longer covered by a similar benefit (at no cost). The spouse is eligible for Medicare coverage in January 2015. If for some reason the spouse would be required to contribute toward the premium or if the medical coverage were lost, the potential liability to the Borough could be \$5,100 annually or approximately \$20,400 until eligible for Medicare. This potential liability is based on current premium rates. To date, that spouse has coverage through her current employment.

(Actual Liabilities 12/31/09 - Police - Medical/RX/Dental/Vision \$1,076,183; Life Insurance - \$40,852 757 -- Annual Cost Medical/RX/Dental/Vision \$71,759; Life Insurance \$2,179 – Total Annual Cost for all Uniformed Retired/Current Employees is \$73,938)

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	2009	2010
Beginning Balance		
Checking	\$188,370	\$295,225
Certificate of Deposit	0	4,878
Gov't CAT (matures 2/15/12)	4,000	0
Due from GF	0	0
Total Beginning Balance	192,370	300,103
ARC * Transfer	102,319	71,465
Interest Income	536	612
Total Revenues	\$102,855	\$ 72,077
Expenditures	2009	2010
\$2000 Cash Benefit Upon Retirement	\$0	\$0
\$5000 Paid Up Policy Upon Retirement	0	0
Medical Benefits (Hospitalization, Dental, Vision, Term Life)	0	0
Admin Expenses	0	3,534

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2010**

Total Expenditures	0	3,534
Net Fund Balance	\$295,225	\$363,768

Based on the Actuarial Evaluation secured in 2009 for the Post Retirement Benefits, the Borough needs to allocate \$73,938 on an annual basis for the next 30 years, to cover the costs of the benefits for the current employees. Based on current GASB Statement #45 regulations, this study must be completed every three (3) years. The Borough will need to provide a budget allocation to cover the costs of the study in 2012.

Deferred Compensation Plan – 457B

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

Citi-Group was removed as an authorized vendor under this program. The program allows employees to withhold a specific dollar amount (minimum \$25.00 per month) from each paycheck that is then turned over to the private investment company and placed in various investment vehicles picked by the employee. This program is similar in nature to a 401(k). Political sub-divisions are not permitted to sponsor 401(k) plans. Under the Program, the employer (Borough) can not make contributions to an employee's accounts which can be done under a 401(k). This program enables an employee to supplement his retirement benefit(s). The amount withheld is not taxed in the year it is withheld. It is taxed when distributed to the employee. There is an amount still held by Citi-Group which is for a retired employee and one active employee. The major balance of the assets is held by Lord Abbett. The assets of these funds are not available to the Borough. As these assets are held in trust for employees/retirees, the Borough is not required to include the plan in its financial statements. As of December 31, 2010 current, retired and former employees have a combined asset value of \$3,435,445. As of December 31, 2009, current and retired employees have a combined asset value of \$293,405.

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

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

N. J. Greenland
Borough Secretary

BOROUGH OF WHITE OAK

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,920,900	\$ 277,278	\$ 9,198,178
Receivables:			
Taxes	389,425	-	389,425
Other, net of allowance for doubtful accounts of \$38,273	54,366	217,231	271,597
Internal balances	130,714	(130,714)	-
Net pension asset	126,578	-	126,578
Net OPEB asset	23,565	-	23,565
Capital assets, not being depreciated	861,019	50,000	911,019
Capital assets, net of accumulated depreciation	2,786,997	492,724	3,279,721
Total Assets	13,293,564	906,519	14,200,083
Liabilities			
Liabilities:			
Accounts payable and other current liabilities	110,900	63,427	174,327
Accrued liabilities	75,338	-	75,338
Non-current liabilities:			
Due within one year	512,653	-	512,653
Due in more than one year	4,557,104	-	4,557,104
Total Liabilities	5,255,995	63,427	5,319,422
Net Assets			
Invested in capital assets, net of related debt	1,930,323	542,724	2,473,047
Restricted for:			
Emergency or catastrophic losses	3,593,923	-	3,593,923
Liquid fuels	120,685	-	120,685
Fire protection tax	206,299	-	206,299
Capital projects	3,718,415	-	3,718,415
Debt service	300,000	-	300,000
Unrestricted	(1,832,076)	300,368	(1,531,708)
Total Net Assets	\$ 8,037,569	\$ 843,092	\$ 8,880,661

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

BOROUGH OF WHITE OAK

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental activities:							
General government	\$ 660,372	\$ 49,405	\$ 76,206	\$ -	\$ (534,761)	\$ -	\$ (534,761)
Public safety	1,831,703	80,459	47,886	-	(1,703,358)	-	(1,703,358)
Public works	931,002	4,329	214,811	-	(711,862)	-	(711,862)
Culture and recreation	81,376	375	27,446	-	(53,555)	-	(53,555)
Conservation and development	11,401	-	-	-	(11,401)	-	(11,401)
Interest on long-term debt	6,674	-	-	-	(6,674)	-	(6,674)
Total governmental activities	3,522,528	134,568	366,349	-	(3,021,611)	-	(3,021,611)
Business-type activities:							
Solid waste services	610,545	610,330	-	-	-	(215)	(215)
Recreation	10,414	11,641	-	-	-	1,227	1,227
Heritage Hill Park	160,681	102,126	-	-	-	(58,555)	(58,555)
Total business-type activities	781,640	724,097	-	-	-	(57,543)	(57,543)
Total Primary Government	\$ 4,304,168	\$ 858,665	\$ 366,349	\$ -	(3,021,611)	(57,543)	(3,079,154)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					1,336,081	-	1,336,081
Earned income tax					660,900	-	660,900
Business privilege tax					227,761	-	227,761
RAD sales tax					153,463	-	153,463
Other taxes levied for general purposes					115,587	-	115,587
Investment earnings					42,010	1,304	43,314
Franchise fees					136,234	-	136,234
Gain (disposal) on sale/transfer of fixed assets					18,239	-	18,239
Transfers					(159,832)	159,832	-
Total general revenues and transfers					2,530,443	161,136	2,691,579
Change in Net Assets					(491,168)	103,593	(387,575)
Net Assets:							
Beginning of year					8,528,737	739,499	9,268,236
End of year					\$ 8,037,569	\$ 843,092	\$ 8,880,661

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

BOROUGH OF WHITE OAK

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2010

	General Fund	Super Fund	Capital Debt Fund	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 685,709	\$ 3,877,964	3,367,286	\$ 989,941	\$ 8,920,900
Receivables (net, where applicable, of allowance for uncollectibles):					
Taxes	389,013	-	-	412	389,425
Other	54,366	-	-	-	54,366
Due from other funds	156,323	-	25,001	6,192	187,516
Total Assets	\$ 1,285,411	\$ 3,877,964	\$ 3,392,287	\$ 996,545	\$ 9,552,207
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 76,185	\$ 12,500	\$ -	\$ 22,215	\$ 110,900
Accrued liabilities	75,338	-	-	-	75,338
Due to other funds	35,584	-	-	21,218	56,802
Deferred revenue	350,457	-	-	-	350,457
Total Liabilities	537,564	12,500	-	43,433	593,497
Fund Balance:					
Reserved for:					
Emergency or catastrophic losses	-	3,593,923	-	-	3,593,923
Unreserved, undesignated, reported in:					
General Fund	747,847	-	-	-	747,847
Capital Projects Fund	-	-	3,092,287	626,128	3,718,415
Debt Service Fund	-	-	300,000	-	300,000
Special Revenue Funds	-	271,541	-	326,984	598,525
Total Fund Balance	747,847	3,865,464	3,392,287	953,112	8,958,710
Total Liabilities and Fund Balance	\$ 1,285,411	\$ 3,877,964	\$ 3,392,287	\$ 996,545	\$ 9,552,207

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

BOROUGH OF WHITE OAK

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

DECEMBER 31, 2010

Total Fund Balance - Governmental Funds			\$ 8,958,710
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$6,224,657 and the accumulated depreciation is \$2,576,641.			3,648,016
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 deferred in the			350,457
The net pension asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.			126,578
The net OPEB asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.			23,565
Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
	Notes and loans payable	\$ (4,876,891)	
	Compensated absences	(192,866)	(5,069,757)
Total Net Assets - Governmental Activities			<u><u>\$ 8,037,569</u></u>

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2010

	General Fund	Super Fund	Capital Debt Fund	Other Governmental Funds	Total
Revenues:					
Taxes	\$ 2,483,297	\$ -	\$ -	\$ -	\$ 2,483,297
Licenses and permits	172,104	-	-	-	172,104
Fines and forfeits	42,002	-	-	-	42,002
Intergovernmental	117,181	-	-	179,191	296,372
Charges for services	49,696	-	-	-	49,696
Interest, rents, and royalties	2,616	30,502	6,916	1,976	42,010
Miscellaneous	69,977	-	-	7,000	76,977
Total revenues	2,936,873	30,502	6,916	188,167	3,162,458
Expenditures:					
Current:					
General government	563,984	-	-	-	563,984
Public safety	1,818,689	-	-	60,681	1,879,370
Public works	764,751	18,750	1,543,341	163,147	2,489,989
Culture and recreation	81,376	-	-	-	81,376
Conservation and development	11,401	-	-	-	11,401
Miscellaneous	50,805	-	-	-	50,805
Capital outlay	-	-	-	15,861	15,861
Debt service:					
Principal	57,529	-	-	9,781	67,310
Interest	4,871	-	-	1,803	6,674
Total expenditures	3,353,406	18,750	1,543,341	251,273	5,166,770
Excess (Deficiency) of Revenues Over Expenditures	(416,533)	11,752	(1,536,425)	(63,106)	(2,004,312)
Other Financing Sources (Uses):					
Sale of capital assets	18,239	-	-	-	18,239
Proceeds from issuance of debt	137,120	-	4,628,712	-	4,765,832
Transfers in	653,455	-	300,000	241,916	1,195,371
Transfers out	(745,100)	(610,103)	-	-	(1,355,203)
Total other financing sources (uses)	63,714	(610,103)	4,928,712	241,916	4,624,239
Net Change in Fund Balance	(352,819)	(598,351)	3,392,287	178,810	2,619,927
Fund Balance:					
Beginning of year	1,100,666	4,463,815	-	774,302	6,338,783
End of year	<u>\$ 747,847</u>	<u>\$ 3,865,464</u>	<u>\$ 3,392,287</u>	<u>\$ 953,112</u>	<u>\$ 8,958,710</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, 2010

Net Change in Fund Balance - Governmental Funds

\$ 2,619,927

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays, net of deletions	\$ 1,684,137	
Less: depreciation expense, net of deletions	<u>(89,732)</u>	1,594,405

Some taxes will not be collected until after the Borough's year-end; they are not considered "available" revenues in the governmental funds. Deferred revenues increased by this amount during the year.

10,495

The issuance of the principal of long-term obligations increases the current financial resources of governmental funds. This transaction, however, has no effect on net assets. This is the amount of principal that was issued during the year.

(4,765,832)

The repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. This is the amount of principal repaid on long-term obligations during the year.

67,310

Governmental funds do not report the net pension assets, as they are not considered a financial resource. The net pension asset was decreased by this amount during the year.

(7,020)

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.

(3,869)

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.

(6,584)

Change in Net Assets of Governmental Activities

\$ (491,168)

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, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:				
Taxes	\$ 2,337,374	\$ 2,337,374	\$ 2,483,317	\$ 145,943
Licenses and permits	151,380	151,380	172,104	20,724
Fines and forfeits	30,200	30,200	42,002	11,802
Intergovernmental	79,650	79,650	117,181	37,531
Charges for services	45,076	45,076	49,696	4,620
Interest, rents, and royalties	2,300	2,300	2,616	316
Miscellaneous	35,000	35,000	45,042	10,042
Total revenues	2,680,980	2,680,980	2,911,958	230,978
Expenditures:				
Current:				
General government	581,639	589,810	563,984	25,826
Public safety	2,143,286	2,182,253	1,758,594	423,659
Public works	804,080	805,080	764,751	40,329
Culture and recreation	81,035	81,095	81,376	(281)
Conservation and development	16,500	16,500	11,401	5,099
Miscellaneous	56,600	56,600	50,805	5,795
Debt service:				
Principal	403,379	403,379	57,529	345,850
Interest	1,800	1,800	4,871	(3,071)
Total expenditures	4,088,319	4,136,517	3,293,311	843,206
Excess (Deficiency) of Revenues Over Expenditures	(1,407,339)	(1,455,537)	(381,353)	1,074,184
Other Financing Sources (Uses):				
Sale of capital assets	10,000	10,000	18,239	8,239
Proceeds from issuance of debt	-	-	137,120	137,120
Transfers in	679,555	743,555	926,715	183,160
Transfers out	(348,016)	(348,016)	(720,099)	(372,083)
Total other financing sources (uses)	341,539	405,539	361,975	(43,564)
Net Change in Fund Balance	\$ (1,065,800)	\$ (1,049,998)	\$ (19,378)	\$ 1,030,620

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 SUPER FUND - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:				
Interest, rents, and royalties	\$ 71,215	\$ 71,215	\$ 30,502	\$ (40,713)
Expenditures:				
Current:				
Public works	18,750	18,750	18,750	-
Excess (Deficiency) of Revenues Over Expenditures	<u>52,465</u>	<u>52,465</u>	<u>11,752</u>	<u>(40,713)</u>
Other Financing Sources (Uses):				
Transfers out	(603,215)	(667,215)	(744,823)	(77,608)
Net Change in Fund Balance	<u>\$ (550,750)</u>	<u>\$ (614,750)</u>	<u>\$ (733,071)</u>	<u>\$ (118,321)</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 DEBT FUND - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:				
Interest, rents, and royalties	\$ 50	\$ 90,700	\$ 6,916	\$ (83,784)
Expenditures:				
Current:				
Public works	-	1,967,378	1,543,341	424,037
Debt service:				
Principal	462,699	440,966	-	440,966
Interest	77,162	75,216	-	75,216
Total expenditures	539,861	2,483,560	1,543,341	940,219
Excess (Deficiency) of Revenues Over Expenditures	(539,811)	(2,392,860)	(1,536,425)	(856,435)
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	4,737,378	4,628,712	108,666
Transfers in	539,812	46,433	274,999	(228,566)
Transfers out	-	-	-	-
Total other financing sources (uses)	539,812	4,783,811	4,903,711	(119,900)
Net Change in Fund Balance	\$ 1	\$ 2,390,951	\$ 3,367,286	\$ (976,335)

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

BOROUGH OF WHITE OAK

STATEMENT OF NET ASSETS PROPRIETARY FUND

DECEMBER 31, 2010

Assets	Business-Type Activities - Enterprise Funds			
	Major Funds		Recreation Fund	Total
	Swimming Pool Fund	Solid Waste Disposal Fund		
Current assets:				
Cash and cash equivalents	\$ 65,354	\$ 206,353	\$ 5,571	\$ 277,278
Receivables:				
Other, net of allowance for doubtful accounts of \$38,273	-	217,231	-	217,231
Due from other funds	-	4,391	-	4,391
Total current assets	65,354	427,975	5,571	498,900
Non-current assets:				
Capital assets	1,239,320	120,030	-	1,359,350
Less accumulated depreciation	(755,045)	(61,581)	-	(816,626)
Total non-current assets	484,275	58,449	-	542,724
Total Assets	549,629	486,424	5,571	1,041,624
Liabilities				
Liabilities:				
Accounts payable and other current liabilities	1,228	62,199	-	63,427
Due to other funds	65,188	69,917	-	135,105
Total Liabilities	66,416	132,116	-	198,532
Net Assets				
Invested in capital assets, net of related debt	484,275	58,449	-	542,724
Unrestricted	(1,062)	295,859	5,571	300,368
Total Net Assets	\$ 483,213	\$ 354,308	\$ 5,571	\$ 843,092

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities - Enterprise Funds			
	Major Funds			Total
	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	
Operating Revenues:				
Charges for services	\$ 101,026	\$ 609,701	\$ 11,641	\$ 722,368
Other operating revenue	1,100	-	-	1,100
Total operating revenues	102,126	609,701	11,641	723,468
Operating Expenses:				
Employee services	58,976	-	-	58,976
Employee benefits and taxes	10,502	-	-	10,502
Purchase of services	-	596,302	1,040	597,342
Operating material and supplies	21,850	-	8,519	30,369
Administrative expenses	38,687	-	855	39,542
Depreciation and amortization	30,666	10,566	-	41,232
Total operating expenses	160,681	606,868	10,414	777,963
Net Operating Gain (Loss)	(58,555)	2,833	1,227	(54,495)
Nonoperating Revenues (Expenses):				
Net transfers in (out)	196,434	(36,602)	-	159,832
Refund of prior year revenues		(3,677)	-	(3,677)
Refund of prior year expenditures	-	629	-	629
Interest income	-	1,283	21	1,304
Total nonoperating revenues (expenses)	196,434	(38,367)	21	158,088
Change in Net Assets	137,879	(35,534)	1,248	103,593
Net Assets:				
Beginning of year	345,334	389,842	4,323	739,499
End of year	\$ 483,213	\$ 354,308	\$ 5,571	\$ 843,092

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, 2010

	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers	\$ (29,120)	\$ 558,688	\$ 11,641	\$ 541,209
Payments to employees	(69,478)	-	-	(69,478)
Payments to suppliers	(60,239)	(574,123)	(10,414)	(644,776)
Net cash provided by (used in) operating activities	(158,837)	(15,435)	1,227	(173,045)
Cash Flows From Non-Capital Financing Activities:				
Interfund transfers	196,434	-	-	196,434
Cash Flows From Capital and Related Financing Activities:				
Interfund transfers	-	(36,602)	-	(36,602)
Capital expenditures	(18,182)	-	-	(18,182)
Net cash provided by (used in) capital and related financing activities	(18,182)	(36,602)	-	(54,784)
Cash Flows From Investing Activities:				
Miscellaneous	-	(3,048)	-	(3,048)
Interest income received	-	1,283	21	1,304
Net cash provided by (used in) investing activities	-	(1,765)	21	(1,744)
Net Increase (Decrease) in Cash and Cash Equivalents	19,415	(53,802)	1,248	(33,139)
Cash and Cash Equivalents:				
Beginning of year	45,939	260,155	4,323	310,417
End of year	\$ 65,354	\$ 206,353	\$ 5,571	\$ 277,278

(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, 2010

	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)	\$ (58,555)	\$ 2,833	\$ 1,227	\$ (54,495)
Adjustments to reconcile net operating gain (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	30,666	10,566	-	41,232
Change in assets and liabilities:				
Due to other funds	(131,246)	956	-	(130,290)
Other receivables	-	(51,013)	-	(51,013)
Accounts payable	298	21,223	-	21,521
Accrued liabilities	-	-	-	-
Total adjustments	(100,282)	(18,268)	-	(118,550)
Net cash provided by (used in) operating activities	\$ (158,837)	\$ (15,435)	\$ 1,227	\$ (173,045)

(Concluded)

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

BOROUGH OF WHITE OAK

COMBINED STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

DECEMBER 31, 2010

Assets	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
Investments (at fair value):				
Cash and cash equivalents	\$ -	\$ -	\$ 363,768	\$ 363,768
Common stock	110,153	370,153	-	480,306
General investment account	1,442,324	3,100,799	-	4,543,123
Total investments	1,552,477	3,470,952	363,768	5,387,197
Accounts receivable	-	45,768	-	45,768
Total Assets	1,552,477	3,516,720	363,768	5,432,965
Liabilities	-	-	-	-
Net Assets Held in Trust				
(A schedule of funding progress for each pension plan is presented on page 43)	\$ 1,552,477	\$ 3,516,720	\$ 363,768	\$ 5,432,965

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

BOROUGH OF WHITE OAK

COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2010

	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
Additions:				
Contributions:				
Commonwealth	\$ 38,448	\$ 65,067	\$ -	\$ 103,515
Employer	50,875	114,608	71,465	236,948
Employee	22,161	45,768	-	67,929
Total contributions	111,484	225,443	71,465	408,392
Investment income (loss):				
Net appreciation in fair value of investments	79,615	256,714	-	336,329
Interest and dividends	67,429	213,229	612	281,270
Total investment income (loss)	147,044	469,943	612	617,599
Total additions	258,528	695,386	72,077	1,025,991
Deductions:				
Benefits	21,567	208,441	-	230,008
Administrative expense	7,752	14,014	3,534	25,300
Total deductions	29,319	222,455	3,534	255,308
Change in Net Assets	229,209	472,931	68,543	770,683
Net Assets:				
Beginning of year	1,323,268	3,043,789	295,225	4,662,282
End of year	\$ 1,552,477	\$ 3,516,720	\$ 363,768	\$ 5,432,965

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

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

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

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

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

The Borough reports the following major governmental funds:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

General Fund

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

Super Fund

The Super Fund is composed of the principal from the sale of the sewer system that occurred in January of 2007. Per Ordinance 3476, 10% of the principal can be used for emergency or catastrophic losses on an annual basis with the unanimous vote of all seven elected officials. Use of more than 10% of the principal would require 51% of the electors voting on a referendum on the ballot. The Super Fund shall remain in existence for a minimum of 50 years.

Capital Debt Fund

The Capital Debt Fund is composed of the proceeds of the 2011 Pennsylvania Infrastructure Bank (PIB) Note in the original principal amount of \$4,520,046 to be used in road rehabilitation projects. It also accounts for the debt service activity for the note.

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.

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Special Revenue Funds

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

Capital Projects Fund

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

The Borough has the following fiduciary funds:

Fiduciary Funds

The Non-Uniformed Pension Fund and the Police Pension Fund were established to account for assets held by the Borough in a trustee capacity for the Non-Uniformed and Police Pension Plans. The Retirement Trust Fund is used to account for the accumulation of resources for a \$2,000 retirement benefit to qualified public works and sewer employees. It is used to account for the accumulation of resources for a \$5,000 life insurance benefit for qualified employees other than police, public works, and sewer systems. In addition, it is used to account for funds set aside to cover future OPEB benefits for the police employees.

Cash and Investments

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

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

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

Budgets and Budgetary Accounting

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

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

For 2010, 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, 2010:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (19,378)
Adjustments:	
To adjust revenues and other financing sources to the modified accrual basis	(248,345)
To adjust expenditures and other financing uses to the modified accrual basis	<u>(85,096)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u><u>\$ (352,819)</u></u>

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Super Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2010:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (733,071)
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Adjustments:

To adjust expenditures and other financing uses to the modified accrual basis	<u>134,720</u>
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Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u><u>\$ (598,351)</u></u>
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The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Capital Debt Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2010:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 3,367,286
--	--------------

Adjustments:

To adjust revenues and other financing sources to the modified accrual basis	25,001
To adjust expenditures and other financing uses to the modified accrual basis	<u>-</u>

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u><u>\$ 3,392,287</u></u>
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Expenditures in Excess of Appropriations

By function in the General Fund, culture and recreation, debt interest expenditures and transfers out exceeded the appropriations. By function in the Super Fund, transfers out exceeded the appropriation. In addition, the Fire Protection Tax Fund had total expenditures in excess of appropriations. These excess expenditures were funded by excess budgeted revenues, available fund balance, favorable expense variances, and transfers from other funds.

Interfund Receivables and Payables

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Property and Earned Income Taxes

Property tax revenue and earned income tax revenue are recognized based on amounts levied to the extent collected during the year. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," earned income taxes are recognized as a receivable when the obligation to pay the tax is incurred by the taxpayer (i.e., income subject to the taxes earned). Uncollected property taxes and earned income taxes, reflected on the balance sheet as taxes receivable, are offset by deferred revenue on the fund financial statements. Interest and penalty charges accrued on unpaid taxes are recognized as revenue when received. Tax refunds are charged against revenues when paid.

Solid Waste Fund Accounts Receivable

The solid waste receivable is shown net of an allowance for uncollectible amounts of \$38,273.

Capital Assets

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

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

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Compensated Absences

Public Works employees under the Local 433 union contract are entitled to 20 sick days per year with the right to accumulate 150 hours. Upon retirement, an employee will be paid for 30% of a maximum of 90 days of unused accumulated sick days. The rate of pay for this benefit shall be the employee's rate of pay at the time of retirement.

Employees under the police union contract are entitled to 15 days of sick leave per year after they have been employed for one year and permitted to accumulate such sick leave up to 120 days. Upon normal retirement, 30% of the accumulated sick days will be paid at the employee's regular base pay.

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

Administration employees receive 20 sick days per year, which can be carried over to the next year if unused. They can accrue a maximum of 150 days plus 20 days current (1275 hours max for administration and 1360 hours max for sewer employees). Administration and sewer employees are not paid for unused sick days when they leave employment.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In the government-wide financial statements, compensated absences of \$192,866 are recorded as a non-current liability due in more than one year.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. When incurred, bond premiums and discounts, as well as issuance costs, would be deferred and amortized over the life of the bonds. Bonds would then be reported net of the applicable bond premium or discount. The Borough has no bonds or related costs recorded at December 31, 2010.

Fund Balance

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Reserved

Reserved is used to denote that portion of fund balance that is not available for expenditure appropriation or is legally segregated for a specific purpose. A reserved fund balance of \$3,593,923 exists at December 31, 2010 related to the Super Fund.

Unreserved

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

Net Assets

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

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net assets consists of constraints placed on net assets use through external restrictions. The Borough had restricted assets of \$3,593,923 related to the Super Fund, \$120,685 related to the Liquid Fuels Fund, \$206,299 related to the Fire Protection Tax Fund, \$3,718,415 related to capital projects, and \$300,000 related to debt service requirements at December 31, 2010.
- Unrestricted - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

Recent and Pending Pronouncements

In March 2009, GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" This Statement's objective is to enhance the usefulness of fund balance information. The guidance in this Statement will be effective for the Borough's financial statements for the year ended December 31, 2011. The Borough is currently considering the impact that this new pronouncement will have on the financial statements.

GASB has issued Statement No. 59, "*Financial Instruments Omnibus,*" effective for periods beginning after June 15, 2010. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 61, "*The Financial Reporting Entity: Omnibus,*" effective for periods beginning after June 15, 2012. The objective of this statement is to improve financial reporting for a governmental financial reporting entity by modifying existing requirements for the assessment of potential component units. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,*" effective for periods beginning after December 15, 2011. This statement establishes accounting and financial reporting standards for the financial reporting statements of state and local governments by bringing together reporting literature in one place with the guidance modified as necessary. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,*" effective for the year ending December 31, 2012. This statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The effect of implementation of this statement has not yet been determined.

2. CASH AND INVESTMENTS

Cash includes amounts in demand deposit accounts. Governmental fund investments are stated at fair value which approximates cost. Pension trust fund investments are reported at

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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, 2010, \$8,371,898 of the Borough's bank balance of \$9,371,898 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$9,198,178 as of December 31, 2010.

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, 2010, 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, \$4,543,123 of these investments is in pooled mutual funds through Principal Financial Group. These investments are carried at fair market value. Principal Financial Group indicates from the general investment account an average effective maturity of 8.0 years and, therefore, they are subject to interest rate risk. These proprietary investments do not have an external rating and they are not subject to custodial credit risk. At

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

December 31, 2010, the Borough also had Principal Financial common stock totaling \$480,306 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 \$363,768. The entire balance was exposed to custodial credit risk at December 31, 2010.

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

3. PROPERTY TAXES

The Borough is permitted by the Borough Code of the State of Pennsylvania to levy property taxes at the Borough's discretion as considered necessary for general governmental services. The Borough real estate taxes were levied at the rate of 4.16 mills. Taxable assessed value for 2010 real estate taxes was \$336,655,388, which is approximately 100% of the fair market value.

Real estate taxes are based on assessed valuations provided by Allegheny County (County) and are levied on April 1. These taxes are billed and collected by an elected tax collector. Taxes paid through May 31 are given a 2% discount. Amounts paid after July 30, 2010 are assessed a 10% penalty. Any uncollected balances at January 31, 2011 were turned over for collection to an outside service.

The property tax calendar for 2010 was as follows:

2010 Millage rate adopted	December 21, 2009
2010 Bills dated	April 1, 2010
2010 Two percent discount period ended	May 31, 2010
2010 Penalty period began	August 1, 2010

4. CAPITAL ASSETS

A summary of changes in capital assets during fiscal year 2010 is as follows:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	Balance at January 1, 2010	Additions	(Deletions)	Balance at December 31, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 758,866	\$ -	\$ -	\$ 758,866
Construction in progress	7,274	102,153	(7,274)	102,153
	<u>766,140</u>	<u>102,153</u>	<u>(7,274)</u>	<u>861,019</u>
Capital assets, being depreciated:				
Buildings	1,446,911	3,350	-	1,450,261
Land improvements	128,863	-	-	128,863
Equipment and vehicles	1,519,489	298,619	(94,998)	1,723,110
Infrastructure	679,117	1,382,287	-	2,061,404
	<u>3,774,380</u>	<u>1,684,256</u>	<u>(94,998)</u>	<u>5,363,638</u>
Less accumulated depreciation for:				
Buildings	(1,147,417)	(25,480)	-	(1,172,897)
Land improvements	(129,982)	-	1,119	(128,863)
Equipment and vehicles	(1,115,753)	(71,679)	75,022	(1,112,410)
Infrastructure	(93,757)	(68,714)	-	(162,471)
Total accumulated depreciation	<u>(2,486,909)</u>	<u>(165,873)</u>	<u>76,141</u>	<u>(2,576,641)</u>
Governmental activities				
Capital assets, net	<u>\$ 2,053,611</u>	<u>\$ 1,620,536</u>	<u>\$ (26,131)</u>	<u>\$ 3,648,016</u>

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	Balance at January 1, 2010	Additions	(Deletions)	Balance at December 31, 2010
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	184,493	18,182	-	202,675
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
	1,291,168	18,182	-	1,309,350
Less accumulated depreciation for:				
Building and pool	(594,220)	(26,680)	-	(620,900)
Computers and equipment	(181,174)	(14,552)	-	(195,726)
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
Total accumulated depreciation	(775,394)	(41,232)	-	(816,626)
Business-type activities				
Capital assets, net	\$ 565,774	\$ (23,050)	\$ -	\$ 542,724

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

Governmental Activities:

General government	\$ 41,895
Public safety	29,962
Public works	94,016
Total depreciation expense - governmental activities	\$ 165,873

Business-Type Activities:

Pool	\$ 30,666
Solid waste	10,566
Total depreciation expense - enterprise activities	\$ 41,232

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers at December 31, 2010 are summarized below:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 156,323	\$ 35,584
Super Fund	-	-
Capital Debt Fund	25,001	-
Swimming Pool Fund	-	65,188
Solid Waste Disposal Fund	4,391	69,917
Other Governmental Funds	6,192	21,218
Total	<u>\$ 191,907</u>	<u>\$ 191,907</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 653,455	\$ (745,100)
Super Fund	-	(610,103)
Capital Debt Fund	300,000	-
Swimming Pool Fund	196,434	-
Solid Waste Disposal Fund	-	(36,602)
Other Governmental Funds	241,916	-
Total	<u>\$ 1,391,805</u>	<u>\$ (1,391,805)</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 \$65,188 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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 9,979	\$ 1,604	\$ 11,583
2012	10,181	1,402	11,583
2013	10,386	1,197	11,583
2014	10,596	987	11,583
2015	10,810	773	11,583
2016-2018	32,017	993	33,010
	<u>\$ 83,969</u>	<u>\$ 6,956</u>	<u>\$ 90,925</u>

Authority for Improvements in Municipalities (AIM)

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 6,099	\$ 434	\$ 6,533
2012	6,099	217	6,316
	<u>\$ 12,198</u>	<u>\$ 651</u>	<u>\$ 12,849</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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

service payments commence in April 2011. The amount outstanding on the loan at December 31, 2010 was \$108,666.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 21,733	\$ 1,945	\$ 23,678
2012	21,733	1,566	23,299
2013	21,733	1,167	22,900
2014	21,733	778	22,511
2015	21,734	389	22,123
	<u>\$ 108,666</u>	<u>\$ 5,845</u>	<u>\$ 114,511</u>

Pennsylvania Infrastructure Bank Note

On April 26, 2010, the Borough entered in a general obligation note agreement with the Pennsylvania Infrastructure Bank in the principal amount of \$4,520,046 for road rehabilitation projects. The note is due in ten annual installments of \$493,379, including principal and interest. The debt service payments commence in April 2011. The note carries an interest rate of 1.625% and matures in April 2020. The outstanding balance on the note at December 31, 2010 is \$4,520,046.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 419,928	\$ 73,451	\$ 493,379
2012	426,752	66,627	493,379
2013	433,687	59,692	493,379
2014	440,734	52,645	493,379
2015	447,896	45,483	493,379
2016-2018	2,351,049	115,845	2,466,894
	<u>\$ 4,520,046</u>	<u>\$ 413,743</u>	<u>\$ 4,933,789</u>

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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 commence in March 2011. The note carries an interest rate of 1.625% and matures in March 2015. The outstanding balance on the note at December 31, 2010 is \$108,666.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 21,038	\$ 1,766	\$ 22,804
2012	21,380	1,424	22,804
2013	21,728	1,077	22,805
2014	22,081	723	22,804
2015	22,439	365	22,804
	<u>\$ 108,666</u>	<u>\$ 5,355</u>	<u>\$ 114,021</u>

Capital Leases

In July of 2008, the Borough signed a lease with Ford Motor Credit in the amount of \$53,373 with an interest rate of 5.95% for a period of 36 months for the purpose of leasing two police vehicles. The remaining balance of \$17,771 was paid in full by December 31, 2010.

In March of 2009, the Borough signed a lease with Dollar Bank Leasing Company in the amount of \$14,983 with an interest rate of 6.05% for a period of 36 months for the purpose of leasing one police vehicle. The remaining payments on the lease are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,288	\$ 328	\$ 5,616

In April of 2009, the Borough signed a lease with Ford Motor Credit in the amount of \$59,319 with an interest rate of 6.60% for a period of 36 months for the purpose of leasing two police vehicles. The remaining payments on the lease are due as follows:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	Principal	Interest	Total
2011	\$ 19,746	\$ 1,303	\$ 21,049

In June of 2010, the Borough signed a lease with Ford Motor Credit in the amount of \$28,454 with an interest rate of 6.90% for a period of 36 months for the purpose of leasing a police vehicle. The remaining payments on the lease are due as follows:

	Principal	Interest	Total
2011	\$ 8,842	\$ 1,300	\$ 10,142
2012	9,470	672	10,142
	\$ 18,312	\$ 1,972	\$ 20,284

Governmental Activities:

	Balance at January 1, 2010	Principal Repayments	Other Changes	Balance at December 31, 2010	Due Within One Year
Loans and notes	\$ 178,369	\$ (67,310)	\$ 4,765,832	\$ 4,876,891	\$ 512,653
Compensated absences	186,282	-	6,584	192,866	-
	\$ 364,651	\$ (67,310)	\$ 4,772,416	\$ 5,069,757	\$ 512,653

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

	Principal	Interest	Total
2011	\$ 512,653	\$ 82,131	\$ 594,784
2012	495,615	71,908	567,523
2013	487,534	63,133	550,667
2014	495,144	55,133	550,277
2015	502,879	47,010	549,889
2016-2021	2,383,066	116,839	2,499,905
	\$ 4,876,891	\$ 436,154	\$ 5,313,045

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

7. COLLATERAL FOR DEBT

White Oak Athletic Association Real Estate Loan

The White Oak Athletic Association (WOAA) entered into an agreement with the Borough to use a parcel of real estate, owned by the Borough and leased to WOAA under a 99-year lease agreement, as collateral on a loan issued to the WOAA in April 2001. The loan to WOAA is an installment loan due February 20, 2011 with an interest rate of 8.5%. The Borough does not currently anticipate any need to have the collateral liquidated and no further obligation exists for the Borough beyond the liquidation of the collateral.

8. PENSION PLANS

Plan Descriptions

The Borough administers two single-employer defined pension plans covering substantially all full-time employees: the Non-Uniformed Pension Plan (Non-Uniformed Plan), which covers all of the full-time office and public works employees and the Police Pension Plan (Police Plan), which covers all of its full-time police officers. Plan provisions are established by municipal ordinance with the Authority for municipal contributions required by Act 205 of the Commonwealth (Act). Stand-alone financial statements are not issued for either plan.

As of January 1, 2009, the date of the most recent actuarial valuation, participants in the Non-Uniformed Plan and Police Plan were as follows:

	Non- Uniformed	Police
Participants:		
Retirees and beneficiaries	2	11
Deferred vested	4	-
Active employees:		
Vested	13	7
Non-vested	1	4

Summary of Significant Accounting Policies

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

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

Contributions and Funding Policy

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

For 2010, both employee groups were required to contribute based upon the financial requirements established by their collective bargaining contract. In 2010, the Non-Uniformed Plan contribution rate was 3.25% and the Police Retirement Plan contribution rate was 5.0%.

State funding provided \$103,515 toward meeting the MMO obligations totaling \$252,287 for the Non-Uniformed Plan and the Police Plan. The remaining portion was funded by the Borough.

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

	Non-Uniformed	Police
Annual pension cost	\$ 96,343	\$ 162,964
Contributions made	\$ 89,323	\$ 179,675
Actuarial valuation date	01/01/2009	01/01/2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed
Asset valuation method	Fair Value	Fair Value
Amortization period	13 years	15 years
Actuarial assumptions:		
Investment rate of return	6.50%	6.50%
Projected salary increases	4.50%	5.00%
Underlying inflation rate	3.00%	3.00%

For the Police Plan, the Borough's net pension obligation at transition to GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," was determined to be zero and the net pension asset/obligation continues to be insignificant at December 31, 2010. However, a net pension asset (a negative net pension obligation) of \$126,578 exists in the Non-Uniformed Plan at December 31, 2010.

Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<u>Non-Uniformed:</u>	12/31/2008	\$ 56,847	106%	\$ (142,545)
	12/31/2009	74,134	88%	(133,598)
	12/31/2010	96,343	93%	(126,578)
<u>Police:</u>	12/31/2008	\$ 51,312	100%	\$ -
	12/31/2009	96,095	100%	-
	12/31/2010	162,964	110%	-

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

The Borough has a net pension asset (a negative net pension obligation (NPO)) in their Non-Uniformed plan as of December 31, 2010 calculated as follows:

Annual required contribution	\$ 89,323
Interest on NPO	(8,684)
Adjustments to the ARC	<u>15,704</u>
Annual pension cost	96,343
Contribution made	<u>89,323</u>
Change in NPO	7,020
NPO, 12/31/2009	<u>(133,598)</u>
NPO, 12/31/2010	<u><u>\$ (126,578)</u></u>

The Borough's funded status and related information as of the latest actuarial valuation date, January 1, 2009, is as follows:

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Non-Uniformed:					
\$ 1,226,404	\$ 1,759,346	\$ (532,942)	69.71%	\$ 714,650	(74.57)%
Police:					
\$ 4,089,804	\$ 4,390,443	\$ (300,639)	93.15%	\$ 866,062	(34.71)%

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

As noted above, certain pension information and calculations are based upon an actuarial valuation performed as of January 1, 2009. The next actuarial valuation will be performed as of January 1, 2011 and will take into account subsequent changes in the market value of investments being held in the Plans.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

9. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits disclosed in Note 8, 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 until Medicare eligibility, a \$2,000 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 through 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 2010, the Borough contributed \$71,465 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 thirty years.

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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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 Boroughs 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:

Annual required contribution	\$ 74,885
Interest on net OPEB obligation	(1,235)
Adjustment to annual required contribution	<u>1,684</u>
Annual OPEB cost	75,334
Contributions made	<u>71,465</u>
Increase (decrease) in net OPEB obligation	3,869
Net OPEB obligation (asset) beginning of year	<u>(27,434)</u>
Net OPEB obligation (asset) end of year	<u><u>\$ (23,565)</u></u>

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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

Actuarial valuation date	1/1/2009
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	N/A - the plan is unfunded
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%
Health care inflation rate	9% for 2009 - 2010 8% for 2011, 7% for 2012 6% for 2013-2014 5% for 2015 and later
Dental inflation rate	5% for all years
Age adjustment for health care costs:	
Age 45	\$ 4,850
Age 50	\$ 5,705
Age 55	\$ 6,710
Age 60	\$ 8,008
Age 64	\$ 9,013

For the Actuarial Valuation report dated January 1, 2009, the actuarial value of assets is \$192,370, and the actuarial accrued liability is \$706,353 for a funded ratio of 27%. The assets are included in the Retirement Trust Fund, which is a fiduciary fund included in the Borough's financial statements.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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, 2010	\$ 74,885	95%	\$ (24,004)
December 31, 2009	74,885	137%	(27,434)
December 31, 2008	N/A	N/A	N/A

N/A - Not applicable; 2009 is implementation year for GASB Statement No. 45.

10. 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, 2010, 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, 2010 totaled \$345,445. 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.

11. CONTINGENCIES

The Borough is involved in a number of other matters arising in the ordinary course of its operations. At present, management believes the ultimate outcome of these matters, after consideration of any applicable insurance coverage, will not be material to the financial statements taken as a whole.

The Borough maintains insurance through independent carriers for all types of business losses. Management believes the insurance coverage is sufficient to cover the Borough against potential losses. There have been no significant changes in insurance coverage since the prior fiscal year and settlements did not exceed insurance coverage for the past three years.

Required Supplementary Information

BOROUGH OF WHITE OAK

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
<u>Non-Uniformed:</u>						
1/1/2005	\$ 1,414,305	\$ 1,582,672	\$ (168,367)	89.36%	\$ 744,890	(22.60%)
1/1/2007	1,284,470	1,483,205	(198,735)	86.60%	680,657	(29.20%)
1/1/2009	1,226,404	1,759,346	(532,942)	69.71%	714,650	(74.57%)
<u>Police:</u>						
1/1/2005	3,963,620	3,309,808	653,812	119.75%	802,961	81.43%
1/1/2007	4,350,556	3,820,569	529,987	113.87%	802,536	66.04%
1/1/2009	4,089,804	4,390,443	(300,639)	93.15%	866,062	(34.71%)

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

See accompanying note to required supplementary information.

BOROUGH OF WHITE OAK

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
<u>Non-Uniformed:</u>			
	2005	\$ 37,477	>100%
	2006	52,663	>100%
	2007	51,722	>100%
	2008	48,777	>100%
	2009	65,187	>100%
	2010	89,323	100%
 <u>Police:</u>			
	2005	\$ 69,473	100%
	2006	70,960	100%
	2007	61,891	100%
	2008	51,213	100%
	2009	96,000	100%
	2010	162,964	110%

Note: Contributions include state pension aid.

See accompanying note to required supplementary information.

BOROUGH OF WHITE OAK

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2010

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

	<u>Non- Uniformed</u>	<u>Police</u>
Actuarial valuation date	01/01/2009	01/01/2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed
Asset valuation method	Fair Value	Fair Value
Amortization period	13 years	15 years
Actuarial assumptions:		
Investment rate of return	6.50%	6.50%
Projected salary increases	4.50%	5.00%
Underlying inflation rate	3.00%	3.00%

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

YEAR ENDED DECEMBER 31, 2010
(Dollar Amounts in Thousands)

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Asset</u>	<u>(b) Actuarial Accrued Liability</u>	<u>Overfunded (Unfunded) Actuarial Accrued Liability</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>Overfunded/(Unfunded) Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c)</u>
01/01/09	\$ 192,370	\$ 706,353	\$ (513,983)	27.2%	N/A	N/A

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2010

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	1/1/2009
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	N/A - the plan is unfunded
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%
Health care inflation rate:	

Year	Medical/Rx	Dental
2009-2010	9.00%	5.00%
2011	8.00%	5.00%
2012	7.00%	5.00%
2013-2014	6.00%	5.00%
2015 and later	5.00%	5.00%

Premium Schedules as of July 1, 2009

Age	Medical/Rx
45	\$ 4,850
50	5,705
55	6,710
60	8,008
64	9,013

Supplementary Information

BOROUGH OF WHITE OAK

COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds				
	Liquid Fuels Fund	Fire Protection Tax Fund	Total	Capital Projects Fund	Total Other Governmental Funds
Assets					
Cash and cash equivalents	\$ 156,616	\$ 200,447	\$ 357,063	\$ 632,878	\$ 989,941
Taxes receivable	-	412	412	-	412
Due from other funds	752	5,440	6,192	-	6,192
Total Assets	\$ 157,368	\$ 206,299	\$ 363,667	\$ 632,878	\$ 996,545
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 22,215	\$ -	\$ 22,215	\$ -	\$ 22,215
Due to other funds	14,468	-	14,468	6,750	21,218
Total Liabilities	36,683	-	36,683	6,750	43,433
Fund Balance:					
Unreserved, undesignated	120,685	206,299	326,984	626,128	953,112
Total Liabilities and Fund Balance	\$ 157,368	\$ 206,299	\$ 363,667	\$ 632,878	\$ 996,545

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds			Capital Project Fund	Total Other Governmental Funds
	Liquid Fuels Fund	Fire Protection Tax Fund	Total		
Revenues:					
Intergovernmental	\$ 179,191	\$ -	\$ 179,191	\$ -	\$ 179,191
Interest, rent, and royalties	375	534	909	1,067	1,976
Miscellaneous	-	7,000	7,000	-	7,000
Total revenues	179,566	7,534	187,100	1,067	188,167
Expenditures:					
Current:					
Public safety	-	60,681	60,681	-	60,681
Public works:					
General services	-				
Highway maintenance - cleaning of streets	4,125	-	4,125	-	4,125
Highway maintenance - snow and ice removal	52,755	-	52,755	-	52,755
Highway maintenance - traffic signals, signs	11,937	-	11,937	-	11,937
Highway maintenance - street lighting	94,330	-	94,330	-	94,330
Capital outlay	15,861	-	15,861	-	15,861
Debt service:					
Principal	-	9,781	9,781	-	9,781
Interest	-	1,803	1,803	-	1,803
Total expenditures	179,008	72,265	251,273	-	251,273
Excess (Deficiency) of Revenues Over Expenditures	558	(64,731)	(64,173)	1,067	(63,106)
Other Financing Sources (Uses):					
Transfers in (out)	-	117,500	117,500	124,416	241,916
Net Change in Fund Balance	558	52,769	53,327	125,483	178,810
Fund Balance:					
Beginning of year	120,127	153,530	273,657	500,645	774,302
End of year	\$ 120,685	\$ 206,299	\$ 326,984	\$ 626,128	\$ 953,112

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2010

	Liquid Fuels			Fire Protection Tax		
	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:						
Intergovernmental	\$ 179,300	\$ 179,191	\$ (109)	\$ -	\$ -	\$ -
Interest, rent, and royalties	360	375	15	1,060	534	(526)
Miscellaneous	-	-	-	-	7,000	7,000
Total revenues	179,660	179,566	(94)	1,060	7,534	6,474
Expenditures:						
Current:						
Public safety	-	-	-	40,000	61,742	(21,742)
Public works	190,200	176,035	14,165	-	-	-
Debt service:						
Principal	-	-	-	15,320	9,781	5,539
Interest	-	-	-	1,832	1,803	29
Total expenditures	190,200	176,035	14,165	57,152	73,326	(16,174)
Excess (Deficiency) of Revenues Over Expenditures	(10,540)	3,531	14,071	(56,092)	(65,792)	(9,700)
Other Financing (Sources) Uses:						
Transfers in (out)	(40,000)	-	40,000	120,000	117,500	(2,500)
Net Change in Fund Balance	(50,540)	3,531	54,071	63,908	51,708	(12,200)
Fund Balance:						
Beginning of year	-	153,085	153,085	25,603	148,739	123,136
End of year	\$ (50,540)	\$ 156,616	\$ 207,156	\$ 89,511	\$ 200,447	\$ 110,936

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, 2010

	Capital Projects Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:				
Interest, rent, and royalties	\$ 90,700	\$ 700	\$ 1,067	\$ 367
Expenditures:				
Capital outlay	2,333,016	83,016	-	83,016
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	2,333,016	83,016	-	83,016
Excess (Deficiency) of Revenues Over Expenditures	(2,242,316)	(82,316)	1,067	83,383
Other Financing Sources (Uses):				
Transfers in (out)	83,016	173,016	116,166	(56,850)
Proceeds of long-term debt	4,520,046	-	-	-
Net Change in Fund Balance	2,360,746	90,700	117,233	26,533
Fund Balance:				
Beginning of year	440,000	440,000	515,645	75,645
End of year	\$ 2,800,746	\$ 530,700	\$ 632,878	\$ 102,178