

Borough of White Oak

Financial Statements and Required
Supplementary and Supplementary Information

Year Ended December 31, 2011
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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BOROUGH OF WHITE OAK

YEAR ENDED DECEMBER 31, 2011

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Independent Auditor's Report

Members of Council
Borough of White Oak

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of White Oak (Borough), Pennsylvania, as of and for the year ended December 31, 2011, 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, current garbage fees, and delinquent real estate taxes (stated in the fund financial statements at \$737,018, \$346,499, \$13,645, \$514,713, and \$49,145, respectively, for the year ended December 31, 2011) 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, current 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, current 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, 2011, 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 xvii and the pension and OPEB information on pages 44 through 48 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.

Maier Duessel

Pittsburgh, Pennsylvania
May 24, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

This section of the Borough of White Oak's (Borough) financial statements presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2011. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the accompanying financial statements and notes, which follow in order to obtain a thorough understanding of the Borough's financial condition at December 31, 2011. The MD&A provides a comparative analysis between 2011 and 2010 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, various Act 511 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, 2011**

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 funds. 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.

Note: The Post Retirement Benefit Fund is not a true trust fund. Council needs to make a decision as to whether or not they want it to be considered a true trust fund.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

FINANCIAL HIGHLIGHTS

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

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

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

The Borough's net assets at December 31, 2011 were \$8,953,602 of which \$2,328,003 is invested in capital assets, net of related debt. Capital assets account for approximately 39.3% of the Borough total assets of \$13,702,125. The remainder of the Borough's assets includes cash and cash equivalents and receivables.

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 29.5% of the Borough total assets of \$14,200,083. The remainder of the Borough's assets includes cash and cash equivalents and receivables.

The Borough's total liabilities are \$4,748,523 as of December 31, 2011 and consist of long-term debt, accounts payable and other current liabilities, and other accrued liabilities. At December 31, 2010, the Borough's total liabilities are \$5,319,422 and consist of long-term debt, accounts payable and other current liabilities, and other accrued liabilities.

There were no capital asset purchases or improvements through the Solid Waste/Recycling/Composting in 2011.

There were capital asset purchases or improvements through the Swimming Pool/Park Fund in 2011. They are as follows:

One (1) new pump motor was purchased at a cost of \$1,505 and two (2) back flow meters were installed at a cost of \$2,050. The cross connection/backflow prevention meter is mandated under Pennsylvania's Safe Drinking Water Act 25 PA Code Chapter 109.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

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

In late 2007, the Borough received proposals 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 bid projections came in a lot higher than anticipated (\$100,000). As there were not sufficient funds to proceed with the project, the bids were rejected. It is the Borough’s position that the project is worthwhile and will keep the specs on hand. If state or federal grant/stimulus funding becomes available in the future, the project is what would be considered “shovel ready.”

In December 2011, the Borough did receive written confirmation from the Commonwealth of Pennsylvania Department of Conservation and Natural Resources that a \$500,000 matching grant has been awarded to the Borough. At this time, the Borough has not made a formal commitment to accept or reject this grant. The decision to accept/reject the DCNR Grant for \$500,000 will be made in 2012.

In conjunction with state liquid fuels monies being distributed, the municipalities are required to have local bridges inspected via a third party contracted by the state. These inspections are completed every two (2) years and the cost of the inspection is deducted from 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.

Capital purchases included the following:

Equipment

Date	Number	Description	Costs	Department
4/2011	1	Leaf Blower	\$200	Public Works
4/2011	1	Chain Saw w/case	440	Public Works
5/2011	1	Weed Trimmer	155	Public Works
5/2011	1	Chipping Helmet	65	Public Works
5/2011	4	Tower Computers, Monitors, Software	7,123	Administration
6/2011	1	John Deere Riding Mower	11,496	Public Works
7/2011	2	Backflow Meters – Garage/Municipal Bldg	1,826	Public Works/ Gen'l Govt.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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7/2011	1	Quickcut saw & head	780	Public Works
9/2011	1	Fax Machine Model 2920	300	Police
9/2011	1	Running Boards (set) Trk #1	420	Public Works
10/2011	1	Brothers MFC 736n Printer	479	Administration
10/2011	15	Nexedge Portables (654.75 each)	9,821	Police
10/2011	6	Nexedge Mobile	5,438	Police
10/2011	1	Nexedge Mobile	906	Code
10/2011	10	Nexedge Mobile	9,064	Public Works
10/2011	1	Nexedge Base	906	Police
10/2011	1	Nexedge Base	906	Administration
11/25/11		Fuel Tanks	42,881	
12/2011	1	Xerox #4250 (used) Printer, Copier, Scanner	1,200	Administration
TOTAL COSTS			\$94,406	

Note: Only equipment with an individual cost exceeding \$500 was capitalized in the financial statements.

Infrastructure

The infrastructure projects included one (1) storm sewer project, one (1) gabion retaining wall project, twenty-two (22) catch basins projects, one (1) soft spot road repair and the 2011 Road Rehab Project.

Project No.	Description	Cost
11-01	Catch Basin – Broadway	\$2,888
11-02	Catch Basin – 201 Congress	4,369
11-03	Catch Basin – 1910 California	1,224
11-04	Catch Basin – 2101 Kansas	2,494
11-05	Catch Basin – Tangleview (Bridge)	1,889
11-06	Catch Basin – Penncrest	2,817
11-07	Catch Basin – Penncrest Circle	4,316
11-08	Catch Basin – Tangleview	3,758
11-09	Catch Basin – Henderson	4,842
11-10	Catch Basin – 2710 Henderson	1,630
11-11	Catch Basin – 1900 Kansas	2,825
11-12	Catch Basin – California (1700 blk)	10,108
11-13	Catch Basin – 1401 Kansas	2,239
11-14	Catch Basin – Corner of Anthony & Lower Heckman	1,216
11-15	Catch Basin – 3510 Anthony	3,488
11-16	Catch Basin – 125 Bernard .	3,089
11-17	Catch Basin – Lower Heckman	8,442
11-18	Gabion Wall – Lower Heckman	13,652
11-19	Catch Basin – 1501 Lower Heckman	2,148
11-20	Catch Basin – 211 Sunset	2,485
11-21	Catch Basin – 1808 Ohio	2,489

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

11-22	Catch Basin – Old Jacks Run	1,350
11-23	Large Patch Repair - Capitol (2700 Block)	5,254
11-24	Storm Sewer – 1623 Ohio	4,967
11-26	2011 Road Rehab Project	1,332,607
TOTAL COSTS		\$1,426,586

Wages, FICA, and Medicare costs are included along with the Borough's 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 are \$5,884,704 at December 31, 2011 and \$5,432,965 at December 31, 2010.

OTHER FINANCIAL HIGHLIGHTS

Government –Wide Financial Statements

Program revenues for fiscal year 2011 of \$1,150,270 consist mainly of charges for services (72%) which relate mainly to solid waste billing (53%). A change in the format of season pool pass fees helps to generate additional charges for serves for the Heritage Hill Park Fund. The increase in pool passes realized in 2010, under the new fee schedule, also carried over to 2011. General revenues of \$3,377,358 consist mainly of real estate and earned income taxes. Expenses totaled \$4,454,687 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, 2011 is \$72,941. For the government-wide financial statements, transfers have been eliminated. Note there is a gain of \$685,779 in the general revenues from 2010 to 2011. This can be attributed to the increase in the real estate millage rate from 4.16 to 5.66. An increase of one (1) mill was anticipated to bring in an additional \$505,805 (face) in real estate tax revenue. Based on this, the revenue from various other categories as well as the project revenue for real estate tax was down approximately \$74,730.

Program revenues for fiscal year 2010 of \$1,225,014 consist mainly of charges for services (70%) which relate mainly to solid waste billing. 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 reduction of \$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 2010 to 2009. This can be attributed to the loss of several auto dealerships, which reduced the budgeting of Mercantile Tax revenues.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

Fund Statements

For the year ending December 31, 2011, real estate and other taxes (EIT, BP, MT, and RAD) account for the majority of the Borough revenues (82%). Without the RAD and Miscellaneous Taxes being included, that percent is reduced to 75%. Similarly, for the year ending December 31, 2010, 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:

	2009	2010	2011
Assessed Value 12/31	\$336,915,588	\$336,655,388	\$336,385,758
Purpose			
General	4.16	4.16	5.66
Fire	0.00	0.00	0.00
Total	4.16	4.16	5.66
Face Value of Statement	1,401,569	1,400,486	1,903,943

The taxable assessed value shows a decrease from 1/1/2011 to 12/31/2011 of \$877,730, which represents a decrease of \$4,968 in face value of real estate tax. This net decrease is due to tax appeals, exonerations and abatements granted by Allegheny County as well as additions during the year of 2011. The taxable assessed value shows a decrease of \$484,850 from 2010 to 2011. This represents a decrease of \$2,017 in the face value of real estate tax. The taxable assessed value shows a decrease of \$745,000 from 2009 to 2010. This represents a decrease of \$3,099 in the face value for real estate tax.

Note: The 2011 Statements for Real Estate Tax were printed at the wrong tax levy rate of 5.60 instead of the 5.66 per our Levy Ordinance. This error was not discovered until the fall of 2011 and it is not known how the error occurred (i.e. typo or wrong information). This issue was addressed with Council and it was determined that the cost of recovering the under billed amount of \$20,183.15 (face) would be too costly to recoup. The net effect would have provided approximately \$8,000 in additional revenue. In the future, the Tax Collector will be provided with a copy of the tax levy ordinance to complete the necessary paper work for ordering the real estate tax invoices through Allegheny County.

Based on 2011 information, approximately 85.5% of the real estate tax levy is paid at the 2% discount rate; another 7.2% was paid at face value, while 3.5% was paid at penalty. This left approximately 3.8% that is turned over to the Delinquent Real Estate Tax Collector (Keystone Municipal Collection) of which approximately two thirds would be considered collectible.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

As you can see, there was a 20% increase in the percentage collected at discount and a 5.4% decrease paid at face as well as a 13.5% decrease in the amount paid at penalty. The uncollected tax level has been constant over the last few years.

The Borough turned over a total of \$54,550 for 2009, \$58,319 for 2010 and \$72,252 for 2011, 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. Although, the dollar value is larger in 2011 than in prior years the unpaid taxes for 2011 equal 3.8% of the total statement value as of December 31, 2011. The increase (dollar value) is attributed to the 1.5 mill increase in the millage rate from 2010 to 2011.

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 2011 median value of a residential home within White Oak Borough remained the same as 2010 which was set at \$72,500. The 2009 medium value was set at \$72,350 while the 2008 had a medium value of \$72,250. This value is listed on the Allegheny County Website – Municipal Map, Community Profile Page.

Based on 2011 medium value, a property owner would pay the following in real estate taxes and represents an annual increase over 2010 of \$133.41.

Taxing Jurisdiction	2010	2011
County (10 -4.69)(11-4.69)	\$340.03	\$340.03
Borough (10- 4.16)(11-5.66)	\$300.97	\$410.35
School District (10-16.71)(11-17.05)	\$1,208.97	\$1,236.13
TOTAL	\$1,853.10	\$1,986.51

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

2011

Fund Name	Expenses	Revenues	Non-operating	Expenses Over (+) Under (-) Revenues
Swimming Pool	\$154,792	\$ 94,545		+\$60,247
Solid Waste Disposal	634,812	610,906	-37,753	+ 23,906
Other Recreation Fund	9,885	9,867	10	+ 18

2010

Fund Name	Expenses	Revenues	Non-operating	Expenses Over (+) Under (-) Revenues
Swimming Pool	\$160,681	\$102,126	\$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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

*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.

General Fund Comparison of Budgeted and Actual (pg 7)

The 2011 revenues were \$566,168 more than the adopted Budget. The three (3) areas where the majority of excess comes from are \$387,626 from the various taxes collected including penalty and interest charges (excludes real estate), \$84,975 from licenses and permits, of which the majority is from a one-time payment from ShaCOG for escrowed prior year cable franchise fees, and \$9,699 from interest, rents, and royalties resulting from a \$10,000 fee paid for a natural gas reserves lease at Heritage Hill Park. As a whole, none of the seven (7) categories of revenues were below the original budget allocation.

The 2011 actual expenditures were \$701,297 less than budgeted. All categories except three (3) can be attributed to this. Those specific line items are Legal Fees, WOAA-Electric and Refunds – Prior Year Real Estate Taxes. The General Government Categories which include Elected Officials, Administration, Financial, Tax Collection, Legal, Clerical and Government Buildings was a total of \$49,579 under budget; Public Safety which includes – Police, Fire, Ambulance, Crossing Guards, Community Development and Emergency Management was a total of \$120,985 under budget; Public Works which includes Public Works – General and Highway Maintenance was a total \$104,903 under budget; Recreation which includes Participant Recreation, Spectator Recreation, Parks, Libraries, and Civil Celebrations was a total of \$1,639 under budget, Conservation and Development was a total of \$4,145 under budget while Miscellaneous Expenses which includes Urban Development, Misc. Expenditures, Intergovernmental Revenues, Refunds and Inter-fund Operating Transfers was \$18,410 over budget.

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 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. All revenue categories exceeded the budgeted totals.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital Assets (pgs 29-31)

Capital assets as of December 31, 2011, net of accumulated depreciation for both Governmental and Business Type Activities, amounted to \$5,381,997. The Borough's investment in capital assets as of December 31, 2010, net of accumulated depreciation for both Governmental and Business Type Activities, amounted to \$4,190,740. 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 35-36)

In 2011, the Borough did not enter into any capital leases agreements.

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 2011 was \$9,470 with an interest payment due of \$672. Final payment will be made in 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 and interest as of December 31, 2011 was zero, the final payment was 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 and interest as of December 31, 2011 was zero, final payment was made in 2011.

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 money from another Borough 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.) This will be given serious consideration in 2012.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

Long-Term Debt (pgs 33-36)

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 12/11	Interest as of 12/11	Total Principal & Interest Due
WO#1 – fire truck	Oct 03	\$150,000	2.00	15	Oct 2018	\$73,990	\$5,352	\$79,342
AIM Loan	April 10	108,666	1.79	5	April 2015	86,933	3,900	90,833
PIB Loan	March 10	108,666	1.625	5	March 2015	87,628	3,589	91,217
PIB Loan	April 10	4,520,046	1.625	8	April 2020	4,100,118	340,293	4,440,411
WOB – pickup truck	March 07	30,494	3.56	5	March 2012	6,099	217	6,316
TOTAL						\$4,354,768	\$351,017	\$4,705,780

At December 31, 2011, the Borough had \$4,364,238 in long-term, short-term, and capital lease debt outstanding including compensated absences of \$202,885. Although the total loan debt is \$4,354,768, two (2) loans are for the purchase of dump trucks, one (1) for a three (3) year road rehab program and one (1) loan were secured for the purchase of firefighting equipment for White Oak #1 V.F.C.

The total outstanding debt (loans, leases, compensated absences) as of December 31, 2011 represents a per occupied household burden of approximately \$1,265 (3,611 occupied units, 2010 census). The 2010 census indicates there are a total of 3,888 housing units located in White Oak. The per capita burden based on the 2010 Census of 7,862 is approximately \$561. Detailed information about the Borough's outstanding debt can be found in Note 6 of the financial statements.

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.

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 held by WOAA was paid in full in February, 2011.

There are several other loans for the volunteer fire companies that the Borough has morally agreed to take on. These loans were secured for the purchase of firefighting equipment and the 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

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

	2010	2011
Beginning Balance	\$1,323,268	\$1,552,477
REVENUES		
Interest Income	67,429	72,247
Unrealized Gains/Losses (stock-see below)	79,615	14,767
Foreign Casualty Ins.	38,448	70,675
Employer Contributions	50,875	11,013
Employee Contributions	22,161	20,695
Total Revenues	258,528	189,397
EXPENDITURES		
Administration Fees (Principal & Mockenhaupt)	7,752	10,008
Pension Benefits – Monthly	21,567	21,567
Pension Benefits-Lump Sum	0	0
Pension – Refund of Employee Contri/Int	0	2,394
Total Expenditures	29,319	33,969
Ending Balance	1,552,477	1,707,905
Net Fund Balance	\$229,209	\$155,428
MMO Requirement	\$89,323	\$96,682*
Per Unit Stock Value 1/1 Per Share	14.2804514	19.4708856
Total all Shares 5,657.30 1/1	80,789	110,152
Per Unit Stock Value 12/31	19.4708856	15.1153507
Total all Shares 5,657.30 12/31	110,153	85,512

- * Borough selected to reduce MMO under Act 44 of 2009 subject to Distress Level 1 certification by PERC. This reduced the MMO to \$81,688 for 2011.

Balance as of January 1, 2011 is comprised of funds assigned to investments with a stable rate of return or minimal risk factor. That value is \$1,442,325. The remainder of the beginning balance of \$110,153 is the value of the stock at the beginning of 2011.

The annual interest income rate of return for 2011 was 5.14% for general investments with a -22.37% increase in the value of the common stock.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

Balance as of December 31, 2011 in General Investment was \$1,621,047 while the year-end balance in the value of the Principal Financial Group Stock Account was \$85,512. There was also accounts receivable of \$1,346 at December 31, 2011.

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 \$1,242,480. The remainder of the beginning balance of \$80,788 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.

Additional Notes:

The Non-Uniformed Pension Plan had an allocated balance of \$338,593 for retirees/non-retired participants at the beginning of 2011 and \$364,494 for retirees/non-retired participants at the end of 2011. 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 2011 was \$1,063,335 and at the end of 2011 was \$1,166,749.

The Foreign Casualty Insurance Program per unit allocation for 2011 was set at \$5,437, which was up from the \$2,958 per unit value for 2010. The large increase in the per unit value is attributed to the fact that the Commonwealth revised the payment due dates from the insurance carriers, requiring them to pay five (5) quarters within the calendar year instead of the normal four (4) quarter payments. Even with the increase in the per unit value, the amount received from Foreign Casualty Insurance was not at a level sufficient to cover the Minimum Municipal Obligation (MMO) (\$96,682) at the 100% calculation or the Act 44 of 2009 75% calculation for 2011. Therefore, the Borough was required to contribute \$11,013 toward the MMO. This was based on the Act 44 of 2009 MMO value of \$81,688.

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, 2011**

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.

Police Pension Plan

	2010	2011
Beginning Balance	\$3,043,789	\$3,516,720
REVENUES		
Interest Income	213,229	217,010
Unrealized Gains/Losses	256,714	20,905
Foreign Casualty Ins.	65,067	119,604
Employer Contributions	114,608	44,932
Employee Contributions	45,768	41,695
Total Revenues	695,386	444,146
EXPENDITURES		
Administration Fees (Principal/Mockenhaupt)	14,014	
Pension Benefits	208,441	207,248
Total Expenditures	222,455	15,980
Ending Balance	3,516,720	3,737,638
Net Fund Balance	\$472,931	\$220,918
MMO Requirement	\$177,626	\$168,805.
Per Unit Stock Value 1/1 Per Share	14.2804514	19.4708856
Total for all Shares 19,010.6	271,479	370,153
Per Unit Stock Value 12/31	19.4708856	15.1153507
Total for all Shares 19,010.6 12/31	370,153	287,351

- * Borough selected to reduce MMO under Act 44 of 2009 subject to Distress Level 1 certification by PERC. This reduced the MMO to \$161,299 for 2011.

Balance as of January 1, 2011 is comprised of funds assigned to investments with a stable rate of return or minimal risk factor. That value is \$3,100,799. The remainder of the beginning balance of \$415,921 is composed of \$370,153 in stock and \$45,768 in accounts receivable.

The annual interest income rate of return for 2011 was 5.36% for general investments with a 22.37% increase in the value of the common stock.

Balance as of December 31, 2011 in General Investment was \$3,446,914 while the year-end balance in the value of the Principal Financial Group Stock Account was \$287,352. There were also accounts receivable totaling \$3,372 at December 31, 2011.

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 \$2,772,309. The remainder of the beginning balance of \$271,479 is the value of the stock at the beginning of 2010.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

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 \$3,100,799 while the year-end balance in the value of the Principal Financial Group Stock Account was \$370,153. There was also accounts receivable of \$45,768 at December 31, 2010.

Additional Notes:

The Uniformed Pension Plan had an allocated balance \$1,372,454 for retiree participants at the beginning of 2011 and at the end of 2011 the allocated balance for retiree participants is \$1,403,856. 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 2011 was \$2,719,555 and at the end of the year the non-allocated balance was \$2,930,694.

The Foreign Casualty Insurance Program per unit allocation for 2011 was set at \$5,436.53, which was up from the \$2,957.57 per unit value for 2010. The large increase in the per unit value is attributed to the fact that the Commonwealth revised the payment due dates from the insurance carriers, requiring them to pay five (5) quarters within the calendar year instead of the normal four (4) quarter payments. Even with the increase in the per unit value the amount received from Foreign Casualty Insurance was not at a level sufficient enough to cover the Minimum Municipal Obligation (MMO) (\$168,805) at the 100% calculation or the Act 44 of 2009 75% calculation for 2011. Therefore, the Borough was required to contribute \$41,695 toward the MMO. This was based on the Act 44 of 2009 MMO value of \$161,299.

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. 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.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

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)

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	2010	2011
Beginning Balance		
Checking	\$295,225	\$358,890
Certificate of Deposit Gov't CAT (matures 2/15/12)	4,878	4,878
Due from GF	0	0
Total Beginning Balance	\$300,103	\$363,768
ARC * Transfer	\$ 71,465	\$74,965
Interest Income	612	428
Total Revenues	\$72,077	\$75,393

**MANAGEMENT'S DISCUSSION AND ANALYSIS
BOROUGH OF WHITE OAK
DECEMBER 31, 2011**

	2010	2011
Expenditures		
\$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	3,534	0
Total Expenditures	3,534	0
Net Fund Balance	\$363,768	\$439,161

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, 2011 current, retired and former employees have a combined asset value of \$296,285. As of December 31, 2010, current and retired employees have a combined asset value of \$345,445.

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, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 7,245,502	\$ 294,926	\$ 7,540,428
Receivables:			
Taxes	442,388	-	442,388
Other, net of allowance for doubtful accounts of \$38,273	32,507	182,101	214,608
Prepaid expenses	815	-	815
Internal balances	195,435	(195,435)	-
Net pension asset	98,631	-	98,631
Net OPEB asset	23,258	-	23,258
Capital assets, not being depreciated	758,866	50,000	808,866
Capital assets, net of accumulated depreciation	4,117,799	455,332	4,573,131
Total Assets	12,915,201	786,924	13,702,125
Liabilities			
Liabilities:			
Accounts payable and other current liabilities	82,979	65,846	148,825
Accrued liabilities	32,575	-	32,575
Non-current liabilities:			
Due within one year	495,615	-	495,615
Due in more than one year	4,071,508	-	4,071,508
Total Liabilities	4,682,677	65,846	4,748,523
Net Assets			
Invested in capital assets, net of related debt	1,822,671	505,332	2,328,003
Restricted for:			
Capital projects	1,722,369	-	1,722,369
Debt service	253,518	-	253,518
Liquid fuels	85,673	-	85,673
Emergency and catastrophic losses	3,425,000	-	3,425,000
Unrestricted	923,293	215,746	1,139,039
Total Net Assets	\$ 8,232,524	\$ 721,078	\$ 8,953,602

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

BOROUGH OF WHITE OAK

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 704,919	\$ 48,069	\$ 67,029	\$ -	\$ (589,821)	\$ -	\$ (589,821)
Public safety	1,864,652	53,779	74,049	-	(1,736,824)	-	(1,736,824)
Public works	926,585	7,379	182,660	-	(736,546)	-	(736,546)
Culture and recreation	74,456	375	905	-	(73,176)	-	(73,176)
Conservation and development	2,355	-	-	-	(2,355)	-	(2,355)
Interest on long-term debt	82,131	-	-	-	(82,131)	-	(82,131)
Total governmental activities	3,655,098	109,602	324,643	-	(3,220,853)	-	(3,220,853)
Business-type activities:							
Solid waste services	634,812	611,613	-	-	-	(23,199)	(23,199)
Recreation	9,985	9,867	-	-	-	(118)	(118)
Heritage Hill Park	154,792	94,545	-	-	-	(60,247)	(60,247)
Total business-type activities	799,589	716,025	-	-	-	(83,564)	(83,564)
Total Primary Government	\$ 4,454,687	\$ 825,627	\$ 324,643	\$ -	(3,220,853)	(83,564)	(3,304,417)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					1,795,953	-	1,795,953
Earned income tax					762,241	-	762,241
Business privilege tax					295,872	-	295,872
RAD sales tax					156,228	-	156,228
Other taxes levied for general purposes					112,411	-	112,411
Investment earnings					52,554	365	52,919
Franchise fees					199,628	-	199,628
Gain (disposal) on sale/transfer of fixed assets					2,106	-	2,106
Transfers					38,815	(38,815)	-
Total general revenues and transfers					3,415,808	(38,450)	3,377,358
Change in Net Assets					194,955	(122,014)	72,941
Net Assets:							
Beginning of year					8,037,569	843,092	8,880,661
End of year					\$ 8,232,524	\$ 721,078	\$ 8,953,602

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

BOROUGH OF WHITE OAK

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	General Fund	Super Fund	Capital Debt Fund	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 705,991	\$ 3,866,637	1,950,886	\$ 721,988	\$ 7,245,502
Receivables (net, where applicable, of allowance for uncollectibles):					
Taxes	442,388	-	-	-	442,388
Other	32,507	-	-	-	32,507
Prepays	815	-	-	-	815
Due from other funds	668,815	-	25,001	752	694,568
Total Assets	\$ 1,850,516	\$ 3,866,637	\$ 1,975,887	\$ 722,740	\$ 8,415,780
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 74,336	\$ -	\$ -	\$ 8,643	\$ 82,979
Accrued liabilities	32,575	-	-	-	32,575
Due to other funds	36,915	441,000	-	21,218	499,133
Deferred revenue	403,832	-	-	-	403,832
Total Liabilities	547,658	441,000	-	29,861	1,018,519
Fund Balance:					
Non-spendable	815	-	-	-	815
Restricted:					
Capital projects	-	-	1,722,369	-	1,722,369
Debt service	-	-	253,518	-	253,518
Liquid fuels	-	-	-	85,673	85,673
Emergency or catastrophic losses	-	3,425,000	-	-	3,425,000
Committed:					
General purposes	-	637	-	-	637
Assigned:					
Fire protection	248,030	-	-	-	248,030
Capital projects	-	-	-	607,206	607,206
Unassigned	1,054,013	-	-	-	1,054,013
Total Fund Balance	1,302,858	3,425,637	1,975,887	692,879	7,397,261
Total Liabilities and Fund Balance	\$ 1,850,516	\$ 3,866,637	\$ 1,975,887	\$ 722,740	\$ 8,415,780

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, 2011

Total Fund Balance - Governmental Funds			\$ 7,397,261
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 \$7,562,075 and the accumulated depreciation is \$2,685,410.			4,876,665
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 funds.			403,832
The net pension asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.			98,631
The net OPEB asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.			23,258
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	\$ (4,364,238)	
	Compensated absences	<u>(202,885)</u>	<u>(4,567,123)</u>
Total Net Assets - Governmental Activities			<u>\$ 8,232,524</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, 2011

	General Fund	Super Fund	Capital Debt Fund	Other Governmental Funds	Total
Revenues:					
Taxes	\$ 3,069,330	\$ -	\$ -	\$ -	\$ 3,069,330
Licenses and permits	237,280	-	-	-	237,280
Fines and forfeits	31,578	-	-	-	31,578
Intergovernmental	79,179	-	-	182,660	261,839
Charges for services	40,372	-	-	-	40,372
Interest, rents, and royalties	11,999	31,650	8,022	883	52,554
Miscellaneous	62,804	-	-	-	62,804
Total revenues	3,532,542	31,650	8,022	183,543	3,755,757
Expenditures:					
Current:					
General government	536,898	-	-	-	536,898
Public safety	1,792,566	-	-	-	1,792,566
Public works	594,391	-	1,429,224	171,413	2,195,028
Culture and recreation	74,456	-	-	-	74,456
Conservation and development	2,355	-	-	-	2,355
Miscellaneous	80,410	-	-	-	80,410
Capital outlay	-	-	-	81,630	81,630
Debt service:					
Principal	49,954	-	462,699	-	512,653
Interest	4,969	-	77,162	-	82,131
Total expenditures	3,135,999	-	1,969,085	253,043	5,358,127
Excess (Deficiency) of Revenues Over Expenditures	396,543	31,650	(1,961,063)	(69,500)	(1,602,370)
Other Financing Sources (Uses):					
Sale of capital assets	2,106	-	-	-	2,106
Transfers in	626,992	-	544,663	61,999	1,233,654
Transfers out	(676,929)	(471,477)	-	(46,433)	(1,194,839)
Total other financing sources (uses)	(47,831)	(471,477)	544,663	15,566	40,921
Net Change in Fund Balance	348,712	(439,827)	(1,416,400)	(53,934)	(1,561,449)
Fund Balance:					
Beginning of year, as restated	954,146	3,865,464	3,392,287	746,813	8,958,710
End of year	<u>\$ 1,302,858</u>	<u>\$ 3,425,637</u>	<u>\$ 1,975,887</u>	<u>\$ 692,879</u>	<u>\$ 7,397,261</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, 2011

Net Change in Fund Balance - Governmental Funds

\$ (1,561,449)

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	\$ 1,337,418	
Less: depreciation expense, net of deletions	<u>(108,769)</u>	1,228,649

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.

53,375

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.

512,653

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.

(27,947)

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.

(307)

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.

(10,019)

Change in Net Assets of Governmental Activities

\$ 194,955

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, 2011

	Budget	Actual (Budgetary Basis)	Variance with Budget
Revenues:			
Taxes	\$ 2,681,704	\$ 3,069,330	\$ 387,626
Licenses and permits	152,305	237,280	84,975
Fines and forfeits	30,200	31,578	1,378
Intergovernmental	53,036	100,223	47,187
Charges for services	33,285	40,372	7,087
Interest, rents, and royalties	2,300	11,999	9,699
Miscellaneous	35,000	63,216	28,216
Total revenues	2,987,830	3,553,998	566,168
Expenditures:			
Current:			
General government	586,477	536,898	49,579
Public safety	1,958,163	1,837,178	120,985
Public works	699,294	594,391	104,903
Culture and recreation	76,095	74,456	1,639
Conservation and development	6,500	2,355	4,145
Miscellaneous	62,000	80,410	(18,410)
Debt service:			
Principal	493,379	49,954	443,425
Interest	-	4,969	(4,969)
Total expenditures	3,881,908	3,180,611	701,297
Excess (Deficiency) of Revenues Over Expenditures	(894,078)	373,387	1,267,465
Other Financing Sources (Uses):			
Sale of capital assets	10,000	2,106	(7,894)
Transfers in	538,045	320,387	(217,658)
Transfers out	(255,850)	(675,598)	(419,748)
Total other financing sources (uses)	292,195	(353,105)	(645,300)
Net Change in Fund Balance	\$ (601,883)	\$ 20,282	\$ 622,165

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, 2011

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Budget</u>
Revenues:			
Interest, rents, and royalties	\$ 10,200	\$ 19,150	\$ 8,950
Expenditures:			
Current:			
Public works	449,045	-	449,045
Excess (Deficiency) of Revenues Over Expenditures	<u>(438,845)</u>	<u>19,150</u>	<u>457,995</u>
Other Financing Sources (Uses):			
Transfers out	<u>-</u>	<u>(30,477)</u>	<u>(30,477)</u>
Net Change in Fund Balance	<u>\$ (438,845)</u>	<u>\$ (11,327)</u>	<u>\$ 427,518</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, 2011

	Budget	Actual (Budgetary Basis)	Variance with Budget
Revenues:			
Interest, rents, and royalties	\$ 11,600	\$ 8,022	\$ (3,578)
Expenditures:			
Current:			
Public works	1,452,000	1,429,224	22,776
Debt service:			
Principal	461,639	462,699	(1,060)
Interest	77,934	77,162	772
Total expenditures	1,991,573	1,969,085	22,488
Excess (Deficiency) of Revenues Over Expenditures	(1,979,973)	(1,961,063)	(18,910)
Other Financing Sources (Uses):			
Transfers in	539,573	544,663	(5,090)
Net Change in Fund Balance	\$ (1,440,400)	\$ (1,416,400)	\$ (24,000)

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

BOROUGH OF WHITE OAK

STATEMENT OF NET ASSETS PROPRIETARY FUND

DECEMBER 31, 2011

<u>Assets</u>	Business-Type Activities - Enterprise Funds			
	Major Funds		Recreation Fund	Total
	Swimming Pool Fund	Solid Waste Disposal Fund		
Current assets:				
Cash and cash equivalents	\$ 91,120	\$ 198,343	\$ 5,463	\$ 294,926
Receivables:				
Other, net of allowance for doubtful accounts of \$38,273	-	182,101	-	182,101
Due from other funds	-	5,722	-	5,722
Total current assets	91,120	386,166	5,463	482,749
Non-current assets:				
Capital assets	1,242,875	120,030	-	1,362,905
Less accumulated depreciation	(785,426)	(72,147)	-	(857,573)
Total non-current assets	457,449	47,883	-	505,332
Total Assets	548,569	434,049	5,463	988,081
Liabilities				
Liabilities:				
Accounts payable and other current liabilities	923	64,923	-	65,846
Due to other funds	124,680	76,477	-	201,157
Total Liabilities	125,603	141,400	-	267,003
Net Assets				
Invested in capital assets, net of related debt	457,449	47,883	-	505,332
Unrestricted	(34,483)	244,766	5,463	215,746
Total Net Assets	\$ 422,966	\$ 292,649	\$ 5,463	\$ 721,078

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, 2011

	Business-Type Activities - Enterprise Funds			
	Major Funds			Total
	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	
Operating Revenues:				
Charges for services	\$ 94,545	\$ 601,259	\$ 6,234	\$ 702,038
Other operating revenue	-	9,647	3,633	13,280
Total operating revenues	94,545	610,906	9,867	715,318
Operating Expenses:				
Employee services	53,338	-	-	53,338
Employee benefits and taxes	10,259	-	-	10,259
Purchase of services	-	624,246	3,547	627,793
Operating material and supplies	26,078	-	5,558	31,636
Administrative expenses	32,003	-	880	32,883
Insurance	2,733	-	-	2,733
Depreciation and amortization	30,381	10,566	-	40,947
Total operating expenses	154,792	634,812	9,985	799,589
Net Operating Gain (Loss)	(60,247)	(23,906)	(118)	(84,271)
Nonoperating Revenues (Expenses):				
Net transfers in (out)	-	(38,815)	-	(38,815)
Refund of prior year expenditures	-	707	-	707
Interest income	-	355	10	365
Total nonoperating revenues (expenses)	-	(37,753)	10	(37,743)
Change in Net Assets	(60,247)	(61,659)	(108)	(122,014)
Net Assets:				
Beginning of year	483,213	354,308	5,571	843,092
End of year	\$ 422,966	\$ 292,649	\$ 5,463	\$ 721,078

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, 2011

	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers	\$ 154,037	\$ 644,705	\$ 6,234	\$ 804,976
Receipt of other revenues	-	-	3,633	3,633
Payments to employees	(63,597)	-	-	(63,597)
Payments to suppliers	(61,119)	(614,962)	(9,985)	(686,066)
Net cash provided by (used in) operating activities	29,321	29,743	(118)	58,946
Cash Flows From Capital and Related Financing Activities:				
Interfund transfers	-	(38,815)	-	(38,815)
Capital expenditures	(3,555)	-	-	(3,555)
Net cash provided by (used in) capital and related financing activities	(3,555)	(38,815)	-	(42,370)
Cash Flows From Investing Activities:				
Miscellaneous	-	707	-	707
Interest income received	-	355	10	365
Net cash provided by (used in) investing activities	-	1,062	10	1,072
Net Increase (Decrease) in Cash and Cash Equivalents	25,766	(8,010)	(108)	17,648
Cash and Cash Equivalents:				
Beginning of year	65,354	206,353	5,571	277,278
End of year	\$ 91,120	\$ 198,343	\$ 5,463	\$ 294,926

(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, 2011

	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)	\$ (60,247)	\$ (23,906)	\$ (118)	\$ (84,271)
Adjustments to reconcile net operating gain (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	30,381	10,566	-	40,947
Change in assets and liabilities:				
Due to other funds	59,492	6,560	-	66,052
Due from other funds	-	(1,331)	-	(1,331)
Other receivables	-	35,130	-	35,130
Accounts payable	(305)	2,724	-	2,419
Accrued liabilities	-	-	-	-
Total adjustments	89,568	53,649	-	143,217
Net cash provided by (used in) operating activities	\$ 29,321	\$ 29,743	\$ (118)	\$ 58,946

(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, 2011

Assets	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
Investments (at fair value):				
Cash and cash equivalents	\$ -	\$ -	\$ 439,161	\$ 439,161
Common stock	85,512	287,352	-	372,864
General investment account	1,621,047	3,446,914	-	5,067,961
Total investments	1,706,559	3,734,266	439,161	5,879,986
Accounts receivable	1,346	3,372	-	4,718
Total Assets	1,707,905	3,737,638	439,161	5,884,704
Liabilities	-	-	-	-
Net Assets Held in Trust	\$ 1,707,905	\$ 3,737,638	\$ 439,161	\$ 5,884,704

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, 2011

	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
Additions:				
Contributions:				
Commonwealth	\$ 70,675	\$ 119,604	\$ -	\$ 190,279
Employer	11,013	41,695	74,965	127,673
Employee	20,695	44,932	-	65,627
Total contributions	102,383	206,231	74,965	383,579
Investment income (loss):				
Net appreciation in fair value of investments	14,767	20,905	-	35,672
Interest and dividends	72,247	217,010	428	289,685
Total investment income (loss)	87,014	237,915	428	325,357
Total additions	189,397	444,146	75,393	708,936
Deductions:				
Benefits	23,961	207,248	-	231,209
Administrative expense	10,008	15,980	-	25,988
Total deductions	33,969	223,228	-	257,197
Change in Net Assets	155,428	220,918	75,393	451,739
Net Assets:				
Beginning of year	1,552,477	3,516,720	363,768	5,432,965
End of year	\$ 1,707,905	\$ 3,737,638	\$ 439,161	\$ 5,884,704

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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. 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, 2011

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, 2011

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 primarily 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 2010 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, 2011

Liquid Fuels Fund

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

Capital Projects Fund

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

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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Budgets and Budgetary Accounting

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

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

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

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

For 2011, 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, 2011:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 20,282
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Adjustments:

To adjust revenues and other financing sources to the modified accrual basis	285,149
To adjust expenditures and other financing uses to the modified accrual basis	<u>43,281</u>

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 348,712</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 Super Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2011:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (11,327)
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Adjustments:

To adjust revenues and other financing sources to the modified accrual basis	12,500
To adjust expenditures and other financing uses to the modified accrual basis	<u>(441,000)</u>

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ (439,827)</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, 2011:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (1,416,400)
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Adjustments:

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

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ (1,416,400)</u>
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BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Expenditures in Excess of Appropriations

By function in the General Fund, miscellaneous expenditures, debt interest expenditures, and transfer out exceeded the appropriations. By function in the Super Fund, transfers out exceeded the appropriation. In addition, in the Capital Debt Fund, the principal expenditures exceeded the appropriation and in the Capital Projects Fund, the capital outlay exceeded 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.”

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 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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

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). Administration employees are not paid for unused sick days when they leave employment.

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

financial statements, compensated absences of \$202,885 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, 2011.

Fund Balance

GASB Statement No. 54 establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follow:

Non-spendable

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

Restricted

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

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

BOROUGH OF WHITE OAK

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Committed

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

Assigned

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

Unassigned

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

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

During the year ending December 31, 2011, the Borough implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," which changed the definition of a special revenue fund. With the implementation of GASB Statement No. 54, the Fire Protection Fund no longer meets the definition of a special revenue fund and is now reported as assigned fund balance in the General Fund. The statement requires that

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

accounting changes to conform to this statement should be applied retroactively by restating financial statements for all periods presented. Fund balance in the General Fund and the Other Governmental Funds was restated at January 1, 2011 as follows.

	General Fund	Fire Protection Fund
Fund balance at January 1, 2011	\$ 747,847	\$ 206,299
Fire Protection Fund balance at January 1, 2011	<u>206,299</u>	<u>(206,299)</u>
Fund balance at January 1, 2011, as restated	<u>\$ 954,146</u>	<u>\$ -</u>

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 \$85,673 related to the Liquid Fuels Fund, \$1,722,369 related to capital projects, and \$253,518 related to debt service requirements, and \$3,425,000 related to emergency and catastrophic losses in the Super Fund at December 31, 2011.
- 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, 2011

Pending Pronouncements

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 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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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, 2011, \$6,780,634 of the Borough's bank balance of \$7,619,517 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 \$7,540,428 as of December 31, 2011.

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, \$5,067,961 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 December 31, 2011, the Borough also had Principal Financial common stock totaling \$372,864 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 \$439,161. The entire balance was exposed to custodial credit risk at December 31, 2011.

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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

The Borough real estate taxes were levied at the rate of 5.66 mills per the 2011 tax ordinance; however, the tax bills were printed and mailed with the incorrect rate of 5.60 mills. As the error was not discovered until the fall of 2011, Council decided that it would be too costly to pursue the collection of the additional 0.06 mills. The Taxable assessed value for 2011 real estate taxes was \$337,222,998, 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, 2011 are assessed a 10% penalty. Any uncollected balances at January 31, 2012 were turned over for collection to an outside service.

The property tax calendar for 2011 was as follows:

2011 Millage rate adopted	December 20, 2011
2011 Bills dated	April 1, 2011
2011 Two percent discount period ended	May 31, 2011
2011 Penalty period began	August 1, 2011

4. CAPITAL ASSETS

A summary of changes in capital assets during fiscal year 2011 is as follows:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

	Balance at January 1, 2011	Additions	(Deletions)	Balance at December 31, 2011
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 758,866	\$ -	\$ -	\$ 758,866
Construction in progress	102,153	-	(102,153)	-
	<u>861,019</u>	<u>-</u>	<u>(102,153)</u>	<u>758,866</u>
Capital assets, being depreciated:				
Buildings	1,450,261	-	-	1,450,261
Land improvements	128,863	-	-	128,863
Equipment and vehicles	1,723,110	85,993	(73,008)	1,736,095
Infrastructure	2,061,404	1,426,586	-	3,487,990
	<u>5,363,638</u>	<u>1,512,579</u>	<u>(73,008)</u>	<u>6,803,209</u>
Less accumulated depreciation for:				
Buildings	(1,172,897)	(25,521)	-	(1,198,418)
Land improvements	(128,863)	-	-	(128,863)
Equipment and vehicles	(1,112,410)	(84,199)	69,665	(1,126,944)
Infrastructure	(162,471)	(68,714)	-	(231,185)
Total accumulated depreciation	<u>(2,576,641)</u>	<u>(178,434)</u>	<u>69,665</u>	<u>(2,685,410)</u>
Governmental activities				
Capital assets, net	<u>\$ 3,648,016</u>	<u>\$ 1,334,145</u>	<u>\$ (105,496)</u>	<u>\$ 4,876,665</u>

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

	Balance at January 1, 2011	Additions	(Deletions)	Balance at December 31, 2011
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	202,675	3,555	-	206,230
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
	1,309,350	3,555	-	1,312,905
Less accumulated depreciation for:				
Building and pool	(620,900)	(26,683)	-	(647,583)
Computers and equipment	(195,726)	(14,264)	-	(209,990)
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
Total accumulated depreciation	(816,626)	(40,947)	-	(857,573)
Business-type activities				
Capital assets, net	\$ 542,724	\$ (37,392)	\$ -	\$ 505,332

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

Governmental Activities:

General government	\$ 56,943
Public safety	90,424
Public works	31,067
Total depreciation expense - governmental activities	\$ 178,434

Business-Type Activities:

Pool	\$ 30,381
Solid waste	10,566
Total depreciation expense - enterprise activities	\$ 40,947

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers at December 31, 2011 are summarized below:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 668,815	\$ (36,915)
Super Fund	-	(441,000)
Capital Debt Fund	25,001	-
Swimming Pool Fund	-	(124,680)
Solid Waste Disposal Fund	5,722	(76,477)
Other Governmental Funds	752	(21,218)
Total	<u>\$ 700,290</u>	<u>\$ (700,290)</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 626,992	\$ (676,929)
Super Fund	-	(471,477)
Capital Debt Fund	544,663	-
Swimming Pool Fund	-	-
Solid Waste Disposal Fund	-	(38,815)
Other Governmental Funds	61,999	(46,433)
Total	<u>\$ 1,233,654</u>	<u>\$ (1,233,654)</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 \$124,680 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, 2011

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>
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	11,028	555	11,583
2017-2018	20,989	438	21,427
	<u>\$ 73,990</u>	<u>\$ 5,352</u>	<u>\$ 79,342</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>
2012	\$ 6,099	\$ 217	\$ 6,316

Authority for Improvements in Municipalities (AIM)

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 86,933</u>	<u>\$ 3,900</u>	<u>\$ 90,833</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.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	455,174	38,205	493,379
2017-2020	1,895,875	77,641	1,973,516
	<u>\$ 4,100,118</u>	<u>\$ 340,293</u>	<u>\$ 4,440,411</u>

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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

	Principal	Interest	Total
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
	\$ 87,628	\$ 3,589	\$ 91,217

Capital Leases

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 lease was paid in full by December 31, 2011.

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 lease was paid in full by December 31, 2011.

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
2012	\$ 9,470	\$ 672	\$ 10,142

Governmental Activities:

	Balance at January 1, 2011	Principal Repayments	Other Changes	Balance at December 31, 2011	Due Within One Year
Loans and notes	\$ 4,876,891	\$ (512,653)	\$ -	\$ 4,364,238	\$ 495,615
Compensated absences	192,866	-	10,019	202,885	-
	\$ 5,069,757	\$ (512,653)	\$ 10,019	\$ 4,567,123	\$ 495,615

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	466,202	38,760	504,962
2017-2021	1,916,864	78,079	1,994,943
	<u>\$ 4,364,238</u>	<u>\$ 354,023</u>	<u>\$ 4,718,261</u>

7. COLLATERAL FOR DEBT

White Oak Athletic Association Real Estate Loan

The White Oak Athletic Association (WOAA) entered into an agreement with the Borough to use a parcel of real estate, owned by the Borough and leased to WOAA under a 99-year lease agreement, as collateral on a loan issued to the WOAA in April 2001. The loan to WOAA was an installment loan due February 20, 2011 with an interest rate of 8.5%. The entire loan was paid off by December 31, 2011; therefore, no further obligation exists for the Borough.

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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

As of January 1, 2011, 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	6	-
Active employees:		
Vested	12	8
Non-vested	0	3

Summary of Significant Accounting Policies

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

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

Contributions and Funding Policy

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

For 2011, both employee groups were required to contribute based upon the financial requirements established by their collective bargaining contract. In 2011, the Non-Uniformed Plan contribution rate was 3.25% and the Police Retirement Plan contribution rate was 5.0%.

During fiscal year 2011, the Borough opted to pay the reduced MMO under Act 44 of 2009 subject to Distress Level 1 certification by Public Employment Retirement Commission, thereby reducing the MMO from \$265,487 to \$242,987. State funding provided \$190,279

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

toward meeting the MMO obligations totaling \$242,987 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:

	Non- Uniformed	Police
Annual pension cost	\$ 109,635	\$ 168,907
Contributions made	\$ 81,688	\$ 161,299
Actuarial valuation date	1/1/2011	1/1/2011
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	11 years	13 years
Actuarial assumptions:		
Investment rate of return	6.50%	6.50%
Post-retirement interest rate	5.50%	N/A
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, 2011. However, a net pension asset (a negative net pension obligation) of \$98,631 exists in the Non-Uniformed Plan at December 31, 2011.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
<u>Non-Uniformed:</u>	12/31/2009	\$ 74,134	88%	\$ (133,598)
	12/31/2010	96,343	93%	(126,578)
	12/31/2011	109,635	75%	(98,631)
<u>Police:</u>	12/31/2009	\$ 96,095	100%	\$ -
	12/31/2010	177,722	101%	-
	12/31/2011	168,907	95%	-

The Borough has a net pension asset (a negative net pension obligation (NPO)) in their Non-Uniformed plan as of December 31, 2011 calculated as follows:

Annual required contribution	\$ 96,682
Interest on NPO	(8,055)
Adjustments to the ARC	<u>21,008</u>
Annual pension cost	109,635
Contribution made	<u>81,688</u>
Change in NPO	27,947
NPO, 12/31/2010	<u>(126,578)</u>
NPO, 12/31/2011	<u><u>\$ (98,631)</u></u>

The Borough's funded status and related information as of the latest actuarial valuation date, January 1, 2011, is as follows:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Non-Uniformed:					
\$ 1,514,772	\$ 2,024,950	\$ (510,178)	74.81%	\$ 583,538	(87.43)%
Police:					
\$ 4,509,067	\$ 4,842,457	\$ (333,390)	93.12%	\$ 915,360	(36.42)%

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, 2011. The next actuarial valuation will be performed as of January 1, 2013 and will take into account subsequent changes in the market value of investments being held in the Plans.

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 2011, the Borough contributed \$74,965 to the plan. Employees are not required to make contributions for basic life insurance or health insurance.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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.

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:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Annual required contribution	\$ 74,885
Interest on net OPEB obligation	(1,060)
Adjustment to annual required contribution	<u>1,447</u>
Annual OPEB cost	75,272
Contributions made	<u>74,965</u>
Increase (decrease) in net OPEB obligation	307
Net OPEB obligation (asset) beginning of year	<u>(23,565)</u>
Net OPEB obligation (asset) end of year	<u><u>\$ (23,258)</u></u>

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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.

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, 2011	\$ 74,885	100.11%	\$ (23,258)
December 31, 2010	74,885	95%	(23,565)
December 31, 2009	74,885	137%	(27,434)

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, 2011, 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, 2011 totaled \$296,285. 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>						
1/1/2007	\$ 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%)
1/1/2011	1,514,772	2,024,950	(510,178)	74.81%	583,538	(87.43%)
<u>Police:</u>						
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%)
1/1/2011	4,509,067	4,842,457	(333,390)	93.12%	915,360	(36.42%)

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>			
	2006	\$ 52,663	>100%
	2007	51,722	>100%
	2008	48,777	>100%
	2009	65,187	>100%
	2010	89,323	100%
	2011	96,682	84%
 <u>Police:</u>			
	2006	\$ 70,960	100%
	2007	61,891	100%
	2008	51,213	100%
	2009	96,000	100%
	2010	162,964	110%
	2011	168,805	96%

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, 2011

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	01/01/2011	01/01/2011
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	11 years	13 years
Actuarial assumptions:		
Investment rate of return	6.50%	6.50%
Post-retirement interest rate	5.50%	N/A
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, 2011

(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). Valuations are required every three years since the Borough has less than 200 participants.

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2011

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, 2011

	Special Revenue Fund		Capital Projects Fund		Total Other Governmental Funds
Assets	Liquid Fuels Fund		Fund		Funds
Cash and cash equivalents	\$ 108,032		\$ 613,956		\$ 721,988
Taxes receivable	-		-		-
Due from other funds	752		-		752
Total Assets	\$ 108,784		\$ 613,956		\$ 722,740
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 8,643		\$ -		\$ 8,643
Due to other funds	14,468		6,750		21,218
Total Liabilities	23,111		6,750		29,861
Fund Balance:					
Restricted	85,673		-		85,673
Assigned	-		607,206		607,206
Total Fund Balance	85,673		607,206		692,879
Total Liabilities and Fund Balance	\$ 108,784		\$ 613,956		\$ 722,740

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2011

	Special Revenue Fund		Capital Project Fund		Total Other Governmental Funds
	Liquid Fuels Fund				
Revenues:					
Intergovernmental	\$ 182,660	-	-	\$ 182,660	
Interest, rent, and royalties	174	709	-	883	
Total revenues	182,834	709	-	183,543	
Expenditures:					
Current:					
Public works:					
Highway maintenance - cleaning of streets	2,750	-	-	2,750	
Highway maintenance - snow and ice removal	61,237	-	-	61,237	
Highway maintenance - traffic signals, signs	11,103	-	-	11,103	
Highway maintenance - street lighting	96,323	-	-	96,323	
Capital outlay	-	81,630	-	81,630	
Total expenditures	171,413	81,630	-	253,043	
Excess (Deficiency) of Revenues Over Expenditures	11,421	(80,921)	-	(69,500)	
Other Financing Sources (Uses):					
Transfers in (out)	(46,433)	61,999	-	15,566	
Net Change in Fund Balance	(35,012)	(18,922)	-	(53,934)	
Fund Balance:					
Beginning of year	120,685	626,128	-	746,813	
End of year	\$ 85,673	\$ 607,206	-	\$ 692,879	

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, 2011

	Liquid Fuels			Capital Project		
	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:						
Intergovernmental	\$ 179,065	\$ 182,660	\$ 3,595	\$ -	\$ -	\$ -
Interest, rent, and royalties	360	174	(186)	700	709	9
Total revenues	<u>179,425</u>	<u>182,834</u>	<u>3,409</u>	<u>700</u>	<u>709</u>	<u>9</u>
Expenditures:						
Current:						
Public works	186,100	184,985	1,115	-	-	-
Capital outlay	-	-	-	73,492	81,630	(8,138)
Total expenditures	<u>186,100</u>	<u>184,985</u>	<u>1,115</u>	<u>73,492</u>	<u>81,630</u>	<u>(8,138)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,675)</u>	<u>(2,151)</u>	<u>4,524</u>	<u>(72,792)</u>	<u>(80,921)</u>	<u>(8,129)</u>
Other Financing (Sources) Uses:						
Transfers in (out)	-	(46,433)	(46,433)	66,850	61,999	(4,851)
Net Change in Fund Balance	<u>(6,675)</u>	<u>(48,584)</u>	<u>(41,909)</u>	<u>(5,942)</u>	<u>(18,922)</u>	<u>(12,980)</u>
Fund Balance:						
Beginning of year	<u>93,631</u>	<u>156,616</u>		<u>80,033</u>	<u>632,878</u>	
End of year	<u>\$ 86,956</u>	<u>\$ 108,032</u>		<u>\$ 74,091</u>	<u>\$ 613,956</u>	