

Borough of White Oak

Financial Statements and Required
Supplementary and Supplementary Information

Year Ended December 31, 2012
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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BOROUGH OF WHITE OAK

YEAR ENDED DECEMBER 31, 2012

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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, 2012, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The Borough's business privilege and mercantile taxes, local services taxes, current garbage fees, and delinquent real estate taxes (stated in the fund financial statements at \$321,936, \$18,292, \$604,499, and \$56,472, respectively, for the year ended December 31, 2012) 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 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.

Qualified Opinion

In our opinion, except for effects of the matter described above in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund, Solid Waste Disposal Fund, and governmental activities of the Borough as of December 31, 2012, and the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund other than the General Fund, Solid Waste Disposal Fund, and the aggregate remaining fund information of the Borough as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through xvii and the pension and OPEB information on pages 45 through 49 are 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
August 23, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

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, 2012. The Management's Discussion and Analysis (MD& A) should be read in conjunction with the accompanying financial statements and notes, which follow in order to obtain a thorough understanding of the Borough of White Oak's financial condition at December 31, 2012. The Management's Discussion and Analysis provides a comparative analysis between 2012 and 2011 of the government-wide data.

REVIEWING THE ANNUAL AUDIT REPORT

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

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

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

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

THE BOROUGH AS A WHOLE ANALYSIS

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

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

DETAILING THE MOST IMPORTANT FUNDS

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

The Borough has Governmental, Proprietary and Fiduciary Funds.

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

FINANCIAL HIGHLIGHTS

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

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

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

The Borough's net position at December 31, 2012 was \$9,170,089 of which \$3,095,789 is net investment in capital assets. Capital assets account for approximately 49.4% of the Borough total assets of \$13,504,367. The remainder of the Borough's assets includes cash and cash equivalents and receivables.

The Borough's net position at December 31, 2011 was \$8,953,602 of which \$2,328,003 is net investment in capital assets. 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 total liabilities are \$4,334,278 as of December 31, 2012 and consist of long-term debt, accounts payable and other accrued liabilities. At December 31, 2011, the Borough's total liabilities are \$4,748,523 and consist of long-term debt, accounts payable and other accrued liabilities.

The Borough did purchase land/tax management software for use in the billing process of solid waste invoices. The cost of the software, purchased from Freedom Systems, was \$17,196. The Borough should consider reimbursing the Capital Project Fund from the Solid Waste Fund for the costs (\$8,598) associated with the tax management software.

There were capital asset purchases or improvements through the Pool/Park Fund as well as labor costs that were paid through the General Fund in 2012. The improvements consisted of sandblasting the entire pool surface, patch/replacing soft areas in the pool surface as well as re-caulking all of the pool structure seams. Materials costs, in the amount of \$6,445 (paint/caulk) were paid for from the Pool/Park Fund while the labor with associated payroll taxes, in the amount of \$22,913 was paid for from the General Fund. Total costs of this improvement were \$28,638.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

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

In 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 (\$100,000.00). 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 as well as a scope of services for the DCNR Grant for \$500,000 will be made in 2013.

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 fuel 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 Borough's 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 or 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. This bid process will be started in the early spring with award in late spring. Construction set to be completed during the dry season (July/August). In 2012, this project was bid in conjunction with the on-going road rehab project. A contract was award to Rhino Construction for the repairs. The total cost of construction work was \$58,827. There were also engineering fees associated with the project totaling \$15,516. (2008 - \$756 and 2012 \$14,760)

Capital purchases included the following:

Date	Number	Description	Department	Costs
January		Taser	Police Dept	\$822.90
		Mobile Radio	Police Dept	723.00
		Shoulder Mikes	Police Dept	217.50
		Cruiser	Police Dept	26,375.00
March		Bullet Resistant Material	Police Dept	5,800.00
		Lighting/Water Upgrades	Mun Bldg	4,627.50
		Welcome White Oak Signs		3,021.20
April		Security Access Keypad/Camera	Police Dept	1,014.70
July		Material Tamper	Public Works	1,250.00
		Software – Land Mgt/training	Code	9,362.00

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

		Software – Tax Mgt*	Solid Waste	8,598.00
		Office Chairs	Police Dept	542.08
Total Costs				\$62,353.88

* This was not paid until 2013

The Borough received a grant in the amount of \$8,840 from the Kenneth Frew Trust. These funds were used to cover the cost of the tasers, bullet resistant material and security access keypad and camera installed in the wing housing the police department. There is approximately \$1,200 remaining from this grant and those proceeds will be used to cover the cost of installing rifle/shotgun locks in newly purchased police vehicles.

A grant through Allegheny County was secured to cover the majority of the Lighting/Water upgrades to the Municipal Building and Garage.

Infrastructure

The infrastructure projects included one (8) storm sewer/French drain projects, fifteen (15) catch basins projects:

Project No.	Description	Cost
12-01	Catch Basin – 3300 Eisenhower	\$1,928.10
12-02	Catch Basin – 3322 Eisenhower	2,544.28
12-03	French Drain – Broadway	3,724.64
12-04	Storm Sewer – Staisey Street	9,222.12
12-05	Catch Basin – 3328 Eisenhower	1,755.32
12-06	Storm Sewer – Sharp Road	21,541.36
12-07	Catch Basin – 3309 Eisenhower Drive	4,112.80
12-08	Catch Basin - Oliver & Cypress Drives	1,882.76
12-09	Catch Basin – 1900 California Ave	1,251.88
12-10	Catch Basin – Guice Street & California Ave.	3,418.12
12-11	Storm Sewer/Replace Pipe – Palm Street	5,300.40
12-12	Catch Basin/Storm Sewer Fawcett Avenue and Foster St.	7,274.78
12-13	Catch Basin – McCully & Amherst Streets (2)	2,518.08
12-14	Catch Basin/Storm Sewer 2509 Arthur	3,500.26
12-15	Storm Sewer – Lower Heckman	3,384.48
12-16	Storm Sewer – Auld Street & Ohio Avenue	8,086.66
12-17	Catch Basin – McCully & Glass Streets	871.20
12-18	Catch Basin – Kelly Street and Fawcett Avenue	1,323.20
12-19	Catch Basin – Kelly & Hill Streets	1,306.56
12-20	Catch Basin – 1708 Educational Drive	1,359.88
12-21	Catch Basin – 2212 Hemlock Drive	1,490.18
TOTAL COSTS		\$87,797.06

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

Infrastructure – Road Project (Phase II)

Project No.	Description	Cost
12-RP01	Mohawk (Bend to Rankin)	\$94,246.80
12-RP02	Nelson Street	42,999.00
12-RP03	Amherst Street	68,463.74
12-RP04	Alley (Amherst to Golf)	4,293.68
12-RP05	Arthur Street	15,535.36
12-RP06	McCully Street	102,214.92
12-RP07	Foster Street	64,788.61
12-RP08	University Drive	37,982.92
12-RP09	Myers Lane	31,245.89
12-RP10	Guice Street	62,928.19
12-RP11	Sharp Road	64,495.18
12-RP12	Poinsettia Drive	140,606.66
12-RP13	James Street	20,034.95
12-RP14	Park Manor Drive	69,561.75
12-RP15	Old Jacks Run Road	81,733.09
12-RP16	Peach Way	27,130.29
12-RP17	Cherry Way	22,036.14
12-RP18	Palm Street	27,504.28
12-RP19	Steven Street	1,984.30
12-RP20	Eastview Drive	33,725.50
12-RP-21	Josephine Street	22,805.74
12-RP-22	Staisey Street (Public to just past Susan)	862.00
12-RP-23	Susan Street	5,175.99
12-RP-24	Sally Street	16,979.41
12-RP-25	Staisey Street (Just Past Susan to Garden)	10,676.30
12-RP-26	Garden Street	20,353.83
12-RP-27	Lower Rankin Road	7,765.11
12-RP-28	Clinton Street	24,620.63
12-RP-29	Sterling Street	5,143.10
	Advertising	667.20
	Engineering	61,161.45
TOTAL COSTS		\$1,425,088.39

Note that the Uniformed Pension Plan, Non-Uniformed Pension Plan and retired Employee Benefit Fund are not included in the Net Asset Value as they are considered “trust arrangements” which fall under the category of fiduciary funds. Fiduciary Funds are not reported in the government-wide statements because they account for assets not belonging to the government. The total combined net position of these funds is \$6,528,604 at December 31, 2012, \$5,884,704 at December 31, 2011, and \$5,432,965 at December 31, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

OTHER FINANCIAL HIGHLIGHTS

Government –Wide Financial Statements – Page 2 of Report

Program revenues for fiscal year 2012 of \$1,307,939 consist mainly of charges for services (64.4%) which relate mainly to solid waste billing. General revenues of \$3,402,504 consist mainly of real estate and earned income taxes. Expenses totaled \$4,505,313 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, 2012 is a positive \$216,487. For the government-wide financial statements, transfers have been eliminated. Note there is an increase of \$25,511 in the general revenues from 2011 to 2012. This can be attributed to the new process for collection of Earned Income Tax under Act 32. This process started with the first quarter collection period of 2012.

Program revenues for fiscal year 2011 of \$1,150,270 consist mainly of charges for services (71.7%) which relate mainly to solid waste billing. A change in the format of season pool pass fees helped to generate additional charges for services 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 \$3,376,993 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 a positive \$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 from real estate tax was down approximately \$74,730.

Fund Statements – Page 5 of Report

For the year ending December 31, 2012, real estate and other taxes (EIT, BP, MT, RAD) account for the majority of the Borough revenues (92%). Without the RAD and Miscellaneous Taxes being included that percent is reduced to 86.3%. Similarly, for the year ending December 31, 2011, real estate and all other taxes accounted for 82%.

Real Estate Taxes and Assessed Value

White Oak levies millage rates for general purposes and fire protection. There is not a separate levy for fire protection, it is a combined general purpose levy which includes general purpose allocations for fire protection. Below is a breakdown of the assessed value, millage rate, and face value of statements.

	2008	2009	2010	2011	2012
Assessed Value 12/31	\$335,245,68	\$335,915,588	\$336,655,388	\$330,443,463	\$338,761,618
Purpose					
General	4.16	4.16	4.16	5.66	5.66
Fire	0.00	0.00	0.00	0.00	0.00
Total	4.16	4.16	4.16	5.66	5.66
Face Value of Statement	\$1,394,622	\$1,397,408	\$1,400,486	\$1,870,310	\$1,917,390

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

The taxable assessed value shows an increase from 1/1/2012 to 12/31/2012 of \$1,586,450, which represents an increase of \$8,879 in real estate tax. The taxable assessed value shows a decrease from 1/1/2011 to 12/31/2011 of \$848,730 which represents a decrease of \$4,719 in real estate taxes. In 2010, the assessed value from 1/1/2010 to 12/31/2010 decreased by \$484,850, which represents a decrease of \$2,017 in face value of real estate tax. This net decrease is due to tax appeals, exonerations and abatements granted by Allegheny County and the Borough, as well as additions during the year of 2011. The taxable assessed value shows a decrease of \$745,050 from 2009 to 2010. This represents a decrease of \$30,992 in the face value of real estate tax. The taxable assessed value shows an increase of \$1,016,200 from 2008 to 2009. This represents an increase of \$6,934 in the face value for real estate tax.

Based on 2012 information, approximately 86% of the real estate tax levy is paid at the 2% discount rate, another 5.5% was paid at face value, while 2.7% was paid at penalty. This left approximately 5.8% that is turned over to the Delinquent Real Estate Tax Collection (Keystone Municipal Collection) of which about two thirds would be considered collectible. Based on 2011 information, approximately 86.5% of the real estate tax levy is paid at the 2% discount rate, another 5.4% was paid at face value, while 0.7% 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 consider collectible. Based on 2010 information, approximately 86.5% of the real estate tax levy is paid at the 2% discount rate, another 5.4% was paid at face, while 4% was paid at penalty. This left approximately 4% that was turned over to the Delinquent Real Estate Tax Collector (Keystone Municipal Collections) of which about two-thirds would be considered collectible. A large number of the delinquent accounts are properties that Allegheny County has no current mailing address for.

The Borough turned over a total of \$58,319 for 2010, \$74,030 for 2011 and \$112,836 for 2012 in tax levies to Keystone Municipal Collections, the Borough's Delinquent/Liened Real Estate Tax Collector.

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

The 2012 median value of a residential home within White Oak Borough was \$76,200. In 2011 and 2010, the median value was \$72,500. This value is listed on the Allegheny County Website – Municipal Map, Community Profile Page.

Based on 2012 medium value, property owners would pay the following in real estate taxes at face. This represents an annual increase over 2011 of \$211.11 and an increase of \$133.41 over 2010 from 2011. The increase for 2012 is attributed to the higher tax levies adopted by the County and School District. The Borough tax levy remained the same from 2011 to 2012.

Taxing Jurisdiction	2010	2011	2012
County (10-4.69) (11-4.69) (12-5.69)	\$340.03	\$340.03	\$433.58
Borough (10-4.16) (11-5.66) (12-5.66)	300.97	410.35	431.30
School District (10-16.71) (11-17.05)(12-17.49)	1,208.97	1,236.13	1,332.74
TOTAL	\$1,853.10	\$1,986.51	\$2,197.62

In 2011, Allegheny County did a reassessment of all real estate. The new values were to have been instituted in 2012, but were delayed until 2013 by Court Order. The last total County

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

reassessment took place in 2001 and was effective in 2002. There were a large number of appeals filed by property owners. It took approximately two (2) years for final decisions to be rendered on all of the appeals. It must be anticipated that this will occur with this new round of reassessments.

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

Proprietary Funds – Expenses vs. Revenues Page 12 of Report

2012

Fund Name	Expenses	Revenues	Non-Operating	+/- Expenses Over Revenues
Swimming Pool	\$171,977	\$100,661		+\$71,316.00
Solid Waste Disposal	592,453.00	623,870.00		-31,417.00
Other Recreation Fund	10,446.00	9,282.00		+1,164.00

2011

Fund Name	Expenses	Revenues	Non-Operating	+/- Expenses Over Revenues
Swimming Pool	\$146,726	\$81,941.00		+\$64,785.00
Solid Waste Disposal	529,339.00	574,164.00		-44,825.00
Other Recreation Fund	10,802.00	10,878.00		- 76.00

As of December 31, 2012, the Pool/Park Fund contains a due to the General Fund. That amount is \$124,680 and is for payroll expenditures. It is suggested that the Borough consider writing off this balance.

General Fund Comparison and Budgeted and Actual Page 7

The 2012 revenues were \$345,986 more than the adopted Budget. The majority of the excess of \$234,501 was from the various taxes collected in particular the Earned Income Tax, which is attributed to the new process (Act 32) for collection.

It is suggested that in the future, if the financial status of the Borough is sound, officials will 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 2012 actual expenditures were \$475,931 less than budgeted. The majority of this is attributed to the Public Safety and Public Works categories. There was a substantial savings under the Health Insurance allocation in all departments.

The 2011 revenues were \$566,168 more than the adopted Budget. The three (3) areas where the majority of excess of \$387,626 comes from are 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,

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

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 lien 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 were 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 \$120,85 under budget; Public Works which includes Public Works – General and Highway Maintenance was a total of \$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, Miscellaneous 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, playgrounds, public works projects and equipment purchases into the Capital Projects Fund for future purchases, upgrades, improvements, and or development.

Capital Assets - Page 31/32 of Report

The Borough's investment in capital assets as of December 31, 2012, net of accumulated depreciation, amounted to \$6,668,699. The Borough's investment in capital assets as of December 31, 2011, net of accumulated depreciation amounted to \$5,381,997. 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 - Page 36 of Report

In 2012, the Borough did not enter into any new commercial capital leases. Discussions were held in 2010 and 2011 regarding the possibility of funding such leases to purchase programs in house. It was the consensus of Council that if any police cruisers were secured in 2011 it would be done through a self-loan program. No new police cruisers were purchased in 2011 but it was noted that at least one new vehicle would be secured in 2012 through the self-loan process as the last lease to purchase loan via a third party carried a interest rate of 6.9%.

At the end of 2011, the Borough only has one outstanding capital lease. Final payment on this lease was made in 2012.

Long-Term Debt - Page 34-36

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

Loan	Issue Date	Original Value	Interest Rate	Term (Years)	Maturity Date	Principal Balance as of 12/12	Interest as of 12/12	Total Principal & Interest Due
WO#1 – fire truck	Oct 03	\$150,000	2.00	15 years	Nov 2018	\$63,812	\$3,950	\$ 67,762
WOB – pickup truck	March 07	30,494	3.56	5 years	March 2012	0	0	0
WOB Aim Loan	April 10	108,666	1.79	5 years	April 2015	65,199	2,334	67,533
WOB PIB Loan	March 10	108,666	1.625	5 years	March 2015	66,248	2,165	68,413
WOB PIB Loan	April 10	4,520,046	1.625	10 years	April 2020	3,673,366	273,666	3,947,032
WOB- Capital Proj **	May 2012	15,375	1.00	2 years	May 2014	15,375	231	15,606
TOTAL						\$3,884,000	\$282,346	\$4,166,346

** This is an in-house loan for the purchase of a police cruiser. If a commercial lease to purchase plan was entered into, the interest would have been an interest rate of approximately 7%. The loan was from the Capital Projects Fund to the General Fund. Principal and interest will be repaid to the Capital Projects Fund from the General Fund once the current real estate tax revenues start coming in.

At December 31, 2012, the Borough had \$4,166,348 in long-term and short-term. The majority secured by the Borough was for a three (3) year road rehab program. The project was started in 2010 and continued in 2011 and was completed in 2012. The loan for this project still has an outstanding balance (principal/interest) of \$3,947,032.

The balance of \$67,762 (principal & interest) was secured by the Borough for the purchase of fire equipment for White Oak V.F.C. #1.

The total outstanding debt (loans & compensated absences) as of December 31, 2012 represents a small per household burden of \$1,154 (3,611 occupied units, 2010 census). This also represents a small per capita burden of \$544 (7,663 in households – 2010 Census). Detailed information about the Borough's outstanding debt can be found in Note 6 of the financial statement. Note: 2010 Census indicates there are 3,888 housing units in the Borough of which 277 are vacant.

There are several other loans that the Borough has verbally/morally and/or collateralized real property or financial funding for the fire companies.

Rainbow V.F.C.

Secured a 2% loan through PEMA for \$100,000 in November 2001. The loan matures in November 2016. The outstanding principal as of December 31, 2012 is \$36,131.24 with outstanding interest of \$1,835.63.

Secured a 2.82% loan for \$100,000 through S & T Bank. This loan matures in January 2022. The purpose of the loan is to purchase a truck that would be able to access narrow cartways (public/private). The outstanding principal as of December 31, 2012 is \$91,960.47 with outstanding interest of \$12,454.53.

White Oak V.F.C. #1

Secured a 2% loan through PEMA for \$100,000 in January 1999. The loan matures in January 2013. The outstanding principal as of December 31, 2012 is \$642.22 and outstanding interest of \$1.07.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

Secured a 2% loan through PEMA for \$150,000 in November 2003. The loan matures in November 2018. The outstanding principal as of December 31, 2011 is \$64,583.78 and outstanding interest of \$3,940.31.

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

Fiduciary Funds

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

Non-Uniformed Pension

	2010	2011	2012
Beginning Balance* (Cash)	\$1,323,268	\$1,552,477	\$1,707,905
REVENUES			
Interest Income**	67,429	72,247	67,947
Unrealized Gains/Losses	79,615	14,767	57,096
Foreign Casualty Ins.	38,448	70,675	42,913
MMO	50,875	11,013	49,887
Employee Contributions	22,161	20,695	20,312
Total Revenues	258,528	189,397	238,155
EXPENDITURES			
Administration Fees (Principal & Mockenhaupt)	7,752	10,008	17,426
Pension Benefits – Monthly	21,567	21,567	21,567
Pension – Refund Employee Contri	0	2,394	0
Pension Benefits-Lump Sum	0	0	0
Total Expenditures	29,319	33,969	38,993
Ending Balance***	1,552,477	1,707,905	1,907,067
Net Fund Balance	229,209	155,428	1,907,067
MMO Requirement	89,323	96,682*	92,800
Per Unit Stock Value 1/1 Per Share	14.2804514	19.4708856	15.1153507
Total All Shares 5,657.30 1/1	80,789	110,152	85,512
Per Unit Stock Value 12/31	19.4708856	15.1153507	17.9245381
Total All Shares 5,657.30 12/31	110,153	85,512	101,404

Balance as of December 31, 2012 in General Investment was \$1,805,663 while the year-end balance in the value of the Principal Financial Group Stock Account was \$101,404.

Balance as of January 1, 2012 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

value is \$1,621,047. The remainder of the beginning balance of \$74,092 is the value of the stock at the beginning of 2012.

The annual interest income rate of return for 2012 was 4.4%, for general investments with an 18.59% increase in the value of the common stock.

Balance as of January 1, 2011 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$1,621,047. The remainder of the beginning balance of \$85,512 is the value of the stock at the beginning of 2011.

The annual interest income rate of return for 2011 was 5.55%, for general investments with a 36.35% increase in the value of the common stock.

Additional Notes:

The Non-Uniformed Pension Plan had an allocated balance of \$364,494 for retirees/non-retired participants at the beginning of 2012 and \$412,138 for retirees/non-retired participants at the end of 2012. 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 2012 was \$1,166,749 and at the end of 2012 was \$1,217,171.

The amount received from Foreign Fire Insurance was not at a level sufficient enough to cover the MMO (\$92,800) for 2012. Therefore, the Borough was required to contribute \$49,887 under the MMO.

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.

Uniformed Pension Plan

	2010	2011	2012
Beginning Balance* (Cash)	\$3,043,789	\$3,516,720	\$3,737,638
REVENUES			
Interest Income**	213,229	217,010	196,812
Unrealized Gains/Losses	256,714	20,905	180,069
Foreign Casualty Ins.	65,067	119,604	78,674
MMO	114,608	44,932	88,971
Employee Contributions	45,758	41,695	48,010
Total Revenues	695,386	444,146	592,536
EXPENDITURES			
Administration Fees (Principal & Mockenhaupt)	14,014	15,980	17,426
Pension Benefits	208,441	207,248	207,248
Total Expenditures	222,455	223,228	231,980
Ending Balance****	3,516,720	3,737,638	4,098,194
Net Fund Balance	\$472,931	\$220,918	\$360,556

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

MMO Requirement	\$177,626	\$168,805	\$167,645
Per Unit Stock Value 1/1 Per Share	14.20804514	19.4708856	15.1153507
Total All Shares 19,010.6 1/1	271,479	370,153	287,352
Per Unit Stock Value 12/31	19.4708856	15.1153507	17.9245381
Total All Shares 19,010.6 12/31	370,153	287,352	340,756

Balance as of December 31, 2012 in General Investment was \$4,515,036 while the year-end balance in the value of the Principal Financial Group Stock Account was \$340,756.

Balance as of January 1, 2012 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$3,516,720. The remainder of the beginning balance of \$287,352 is the value of the stock at the beginning of 2012.

The annual interest income rate of return for 2012 was 4.61 for general investments with an 18.58% increase in the value of the common stock.

Balance as of January 1, 2011 is comprised of funds to assigned investments with a guaranteed rate of return or minimal risk factor. That value is \$3,516,720. The remainder of the beginning balance of \$726,341 is the value of the stock at the beginning of 2011.

Balance as of December 31, 2011 in General Investment was \$3,737,638 while the year-end balance in the value of the Principal Financial Group Stock Account was \$370,153.

The annual interest income rate of return for 2011 was 5.55%, for general investments with a 36.35% increase in the value of the common stock.

Additional Notes:

The Uniformed Pension Plan had an allocated balance \$1,403,856 for retiree participants at the beginning of 2012 and at the end of 2012 the allocated balance for retiree participants is \$1,054,193. 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 2012 was \$2,903,694 and at the end of the year the non allocated balance was \$3,078,362.

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 \$2,903,694.

The amount received from Foreign Casualty Insurance was not at a level sufficient enough to cover the MMO (\$167,645) for 2011. Therefore, the Borough was required to contribute

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

\$78,675 under the MMO. In 2011, the Borough received more than anticipated in Foreign Fire Insurance.

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; 2014 - 1; 2015-1;
2018-1; 2027-1; 2029-1

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

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

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

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

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

Under a Special Settlement and Mutual Release Agreement, the Borough is required to provide medical, dental, RX and vision coverage to a spouse if the spouse is no longer covered by a similar benefit (at no cost to the spouse). The spouse is eligible for Medicare coverage in January 2015. If for some reason the spouse would be required to contribute toward her current premium or if the medical coverage were lost, the potential liability to the Borough could be \$5,100 annually or approximately \$15,750 (as of 12/31/2011) until eligible for Medicare. The potential liability is based on current premium rates. To date, the spouse has secured coverage through her current employment.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

*ARC – Annual Required Contribution	2010	2011	2012
Beginning Balance			
Checking	\$295,225	\$358,890	\$439,161
Certificate of Deposit			
Gov't CAT	4,878	4,878	
Due from GF			
Total Beginning Balance	300,103	363,768	
ARC * Transfer	71,465	74,965	78,280
Interest Income	612	428	5,902
Total Revenues	72,077	75,393	84,182
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	
Transfer to GF – cover current year expenses	0	0	0
Administrative Expenses	3,534		0
Total Expenditures	3,534	0	0
Net Fund Balance	\$363,768	\$439,161	\$523,343

Based on the Actuarial Evaluation secured in 2012 for the Post Retirement Benefits, the Borough needs to allocate \$44,930 on an annual basis for the next 30 years, to cover the costs of the benefits for the current employees. Based on current GAS#45 regulations, this study must be completed every three (3) years. This study was authorized in the fall of 2012 but was not available for 2013 budget preparation. It is assumed that since the Borough is no longer required to cover future police hires with medical coverage until the age 65 that the annual ARC transfer will be reduced in the future. It is suggested that even though this allocation can be reduced to keep it the same as prior years, this will reduce the number of years the Borough would have to provide for the annual payment.

Deferred Compensation Plan – 457B (page 44 of report)

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2012

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, 2012, current and retired employees has a combined assets value of \$308,168.

Miscellaneous Notes

White Oak Borough entered into a gas/oil drilling lease with Penneco. The lease gives Penneco the ability to drill for these natural resources on the Heritage Hill Park/Pool Complex and Library sites. The lease is for a period of two (2) years. The Borough received a \$10,000 signing fee. The Borough is currently negotiating the same type of lease with Penneco on the parcel known as the WOAA site along Lower Heckman Road. In 2012, a \$10,000 signing fee was received from Penneco for the WOAA site. The WOAA used these funds to install a new HVAC system.

Under GASB Statement #54 any funds which do not have a direct source of income other than transfers from another fund are to be considered general purpose funds. This would include the Fire Funds and the Capital Project Fund. At the December 19, 2011 Regular Meeting, the Borough did place a reserve on the 12/31 fund balance for the Fire Funds and the Capital Project Fund; the projected balances are \$242,177.96 and \$612,940.85, respectively.

All future budgets will be developed with these two (2) funds being considered general purpose funds, but will not be comingled with the General Fund. The Fire Funds and Capital Project Fund will be comingled under the annual resolution adopting the budget revenue and expenditures appropriations.

All Other Funds-2012

Fund Name	Expenses	Revenues	Non-Operating	+/- Expenses Over Revenues
General Fund	\$3,319,767	\$3,942,549		-\$622,782
Fire Funds	78,981	111,745		-32,764
Capital Projects	21,964	110		-21,854
Liquid Fuels	178,422	207,388		+28,966
Super Fund	0	14,833		-14,833
Capital Debt	2,037,552	2,229		+2,037,552

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

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

N. J. Greenland
Borough Secretary

BOROUGH OF WHITE OAK

STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,789,648	\$ 163,230	\$ 5,952,878
Receivables:			
Taxes	440,081	-	440,081
Other, net of allowance for doubtful accounts of \$38,273	44,792	261,708	306,500
Prepaid expenses	815	-	815
Internal balances	143,549	(143,549)	-
Net pension asset	80,713	-	80,713
Net OPEB asset	54,681	-	54,681
Capital assets, not being depreciated	758,866	50,000	808,866
Capital assets, net of accumulated depreciation	5,447,355	412,478	5,859,833
Total Assets	12,760,500	743,867	13,504,367
Liabilities			
Liabilities:			
Accounts payable and other current liabilities	169,772	52,065	221,837
Accrued liabilities	51,393	-	51,393
Non-current liabilities:			
Due within one year	487,534	-	487,534
Due in more than one year	3,573,514	-	3,573,514
Total Liabilities	4,282,213	52,065	4,334,278
Net Position			
Net investment in capital assets	2,633,311	462,478	3,095,789
Restricted for:			
Capital projects	283,217	-	283,217
Debt service	207,415	-	207,415
Liquid fuels	17,502	-	17,502
Emergency and catastrophic losses	3,425,000	-	3,425,000
Unrestricted	1,911,842	229,324	2,141,166
Total Net Position	\$ 8,478,287	\$ 691,802	\$ 9,170,089

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

BOROUGH OF WHITE OAK

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 763,779	\$ 59,426	\$ 121,189	\$ -	\$ (583,164)	\$ -	\$ (583,164)
Public safety	2,021,748	44,820	165,058	-	(1,811,870)	-	(1,811,870)
Public works	800,081	4,016	178,422	-	(617,643)	-	(617,643)
Culture and recreation	73,119	300	665	-	(72,154)	-	(72,154)
Conservation and development	-	-	-	-	-	-	-
Interest on long-term debt	71,910	-	-	-	(71,910)	-	(71,910)
Total governmental activities	3,730,637	108,562	465,334	-	(3,156,741)	-	(3,156,741)
Business-type activities:							
Solid waste services	592,453	624,100	-	-	-	31,647	31,647
Recreation	10,446	9,282	-	-	-	(1,164)	(1,164)
Heritage Hill Park	171,977	100,661	-	-	-	(71,316)	(71,316)
Total business-type activities	774,876	734,043	-	-	-	(40,833)	(40,833)
Total Primary Government	\$ 4,505,513	\$ 842,605	\$ 465,334	\$ -	(3,156,741)	(40,833)	(3,197,574)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					1,803,529	-	1,803,529
Earned income tax					893,302	-	893,302
Business privilege tax					250,376	-	250,376
RAD sales tax					161,393	-	161,393
Other taxes levied for general purposes					127,561	-	127,561
Investment earnings					28,153	4	28,157
Franchise fees					149,743	-	149,743
Transfers					(11,553)	11,553	-
Total general revenues and transfers					3,402,504	11,557	3,414,061
Change in Net Position					245,763	(29,276)	216,487
Net Position:							
Beginning of year					8,232,524	721,078	8,953,602
End of year					\$ 8,478,287	\$ 691,802	\$ 9,170,089

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

BOROUGH OF WHITE OAK

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2012

	General Fund	Super Fund	Capital Debt Fund	Capital Projects Fund	Other Governmental Fund - Liquid Fuels Fund	Total
Assets						
Cash and cash equivalents	\$ 1,087,044	\$ 3,439,832	\$ 533,794	\$ 688,783	\$ 40,195	\$ 5,789,648
Receivables (net, where applicable, of allowance for uncollectibles):						
Taxes	440,081	-	-	-	-	440,081
Other	44,792	-	-	-	-	44,792
Prepays	815	-	-	-	-	815
Due from other funds	224,047	-	25,001	-	752	249,800
Total Assets	<u>\$ 1,796,779</u>	<u>\$ 3,439,832</u>	<u>\$ 558,795</u>	<u>\$ 688,783</u>	<u>\$ 40,947</u>	<u>\$ 6,525,136</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 92,632	\$ -	\$ 68,163	\$ -	\$ 8,977	\$ 169,772
Accrued liabilities	51,393	-	-	-	-	51,393
Due to other funds	85,033	-	-	6,750	14,468	106,251
Deferred revenue	253,642	-	-	-	-	253,642
Total Liabilities	<u>482,700</u>	<u>-</u>	<u>68,163</u>	<u>6,750</u>	<u>23,445</u>	<u>581,058</u>
Fund Balance:						
Non-spendable	815	-	-	-	-	815
Restricted:						
Capital projects	-	-	283,217	-	-	283,217
Debt service	-	-	207,415	-	-	207,415
Liquid fuels	-	-	-	-	17,502	17,502
Emergency or catastrophic losses	-	3,425,000	-	-	-	3,425,000
Committed:						
General purposes	-	14,832	-	-	-	14,832
Assigned:						
Fire protection	281,230	-	-	-	-	281,230
Capital projects	-	-	-	682,033	-	682,033
Unassigned	1,032,034	-	-	-	-	1,032,034
Total Fund Balance	<u>1,314,079</u>	<u>3,439,832</u>	<u>490,632</u>	<u>682,033</u>	<u>17,502</u>	<u>5,944,078</u>
Total Liabilities and Fund Balance	<u>\$ 1,796,779</u>	<u>\$ 3,439,832</u>	<u>\$ 558,795</u>	<u>\$ 688,783</u>	<u>\$ 40,947</u>	<u>\$ 6,525,136</u>

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

BOROUGH OF WHITE OAK

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

DECEMBER 31, 2012

Total Fund Balance - Governmental Funds			\$ 5,944,078
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$9,184,109 and the accumulated depreciation is \$2,977,888.			6,206,221
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.			253,642
The net pension asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.			80,713
The net OPEB asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.			54,681
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	\$ (3,868,625)	
	Compensated absences	<u>(192,423)</u>	<u>(4,061,048)</u>
Total Net Position - Governmental Activities			<u><u>\$ 8,478,287</u></u>

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2012

	General Fund	Super Fund	Capital Debt Fund	Capital Projects Fund	Other Governmental Fund - Liquid Fuels Fund	Total
Revenues:						
Taxes	\$ 3,386,351	\$ -	\$ -	\$ -	\$ -	\$ 3,386,351
Licenses and permits	192,330	-	-	-	-	192,330
Fines and forfeits	31,632	-	-	-	-	31,632
Intergovernmental	171,548	-	-	-	178,422	349,970
Charges for services	34,343	-	-	-	-	34,343
Interest, rents, and royalties	10,981	14,833	2,229	110	-	28,153
Miscellaneous	115,364	-	-	-	-	115,364
Total revenues	3,942,549	14,833	2,229	110	178,422	4,138,143
Expenditures:						
Current:						
General government	564,214	-	-	-	-	564,214
Public safety	1,850,933	-	-	-	-	1,850,933
Public works	630,864	-	1,498,070	-	193,258	2,322,192
Culture and recreation	73,119	-	-	-	-	73,119
Miscellaneous	172,596	-	-	-	-	172,596
Capital outlay	-	-	-	21,964	7,232	29,196
Debt service:						
Principal	25,748	-	469,865	-	-	495,613
Interest	2,293	-	69,617	-	-	71,910
Total expenditures	3,319,767	-	2,037,552	21,964	200,490	5,579,773
Excess (Deficiency) of Revenues Over Expenditures	622,782	14,833	(2,035,323)	(21,854)	(22,068)	(1,441,630)
Other Financing Sources (Uses):						
Transfers in	57,419	-	560,536	117,687	-	735,642
Transfers out	(668,980)	(638)	(10,468)	(21,006)	(46,103)	(747,195)
Total other financing sources (uses)	(611,561)	(638)	550,068	96,681	(46,103)	(11,553)
Net Change in Fund Balance	11,221	14,195	(1,485,255)	74,827	(68,171)	(1,453,183)
Fund Balance:						
Beginning of year	1,302,858	3,425,637	1,975,887	607,206	85,673	7,397,261
End of year	\$ 1,314,079	\$ 3,439,832	\$ 490,632	\$ 682,033	\$ 17,502	\$ 5,944,078

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, 2012

Net Change in Fund Balance - Governmental Funds

\$ (1,453,183)

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	\$ 1,622,034	
Less: depreciation expense, net of deletions	<u>(292,478)</u>	1,329,556

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

(150,190)

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

495,613

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.

(17,918)

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

31,423

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.

10,462

Change in Net Position of Governmental Activities

\$ 245,763

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, 2012

	Budget	Actual (Budgetary Basis)	Variance with Budget
Revenues:			
Taxes	\$ 3,004,379	\$ 3,238,880	\$ 234,501
Licenses and permits	159,950	192,330	32,380
Fines and forfeits	27,700	31,632	3,932
Intergovernmental	55,250	36,351	(18,899)
Charges for services	28,150	33,165	5,015
Interest, rents, and royalties	2,000	10,981	8,981
Miscellaneous	36,200	116,276	80,076
Total revenues	3,313,629	3,659,615	345,986
Expenditures:			
Current:			
General government	594,975	564,214	30,761
Public safety	2,026,607	1,813,819	212,788
Public works	843,669	630,864	212,805
Culture and recreation	78,810	69,931	8,879
Conservation and development	11,500	2,010	9,490
Miscellaneous	60,950	51,008	9,942
Debt service:			
Principal	10,181	25,750	(15,569)
Interest	9,126	2,291	6,835
Total expenditures	3,635,818	3,159,887	475,931
Excess (Deficiency) of Revenues Over Expenditures	(322,189)	499,728	821,917
Other Financing Sources (Uses):			
Transfers in	529,600	496,747	(32,853)
Transfers out	-	(615,422)	(615,422)
Total other financing sources (uses)	529,600	(118,675)	(648,275)
Net Change in Fund Balance	\$ 207,411	\$ 381,053	\$ 173,642

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, 2012

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Budget</u>
Revenues:			
Interest, rents, and royalties	\$ 7,000	\$ 14,833	\$ 7,833
Expenditures:			
Current:			
Public works	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	<u>7,000</u>	<u>14,833</u>	<u>7,833</u>
Other Financing Sources (Uses):			
Transfers out	<u>(448,600)</u>	<u>(441,638)</u>	<u>6,962</u>
Net Change in Fund Balance	<u>\$ (441,600)</u>	<u>\$ (426,805)</u>	<u>\$ 14,795</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, 2012

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Budget</u>
Revenues:			
<u>Interest, rents, and royalties</u>	<u>\$ 4,600</u>	<u>\$ 2,229</u>	<u>\$ (2,371)</u>
Expenditures:			
Current:			
Public works	1,850,445	1,429,907	420,538
Debt service:			
Principal	469,324	469,865	(541)
Interest	70,251	69,617	634
 Total expenditures	 <u>2,390,020</u>	 <u>1,969,389</u>	 <u>420,631</u>
Excess (Deficiency) of Revenues Over Expenditures	 <u>(2,385,420)</u>	 <u>(1,967,160)</u>	 <u>(418,260)</u>
Other Financing Sources (Uses):			
Transfers in	539,575	560,536	20,961
Transfers out	-	(10,468)	(10,468)
 Total other financing sources (uses)	 <u>539,575</u>	 <u>550,068</u>	 <u>10,493</u>
Net Change in Fund Balance	 <u><u>\$ (1,845,845)</u></u>	 <u><u>\$ (1,417,092)</u></u>	 <u><u>\$ 428,753</u></u>

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Budget</u>
Revenues:			
Interest, rent, and royalties	\$ -	\$ 110	\$ 110
Expenditures:			
Capital outlay	235,337	21,964	213,373
Total expenditures	235,337	21,964	213,373
Excess (Deficiency) of Revenues Over Expenditures	<u>(235,337)</u>	<u>(21,854)</u>	<u>213,483</u>
Other Financing (Sources) Uses:			
Transfers in (out)	125,000	96,681	(28,319)
Net Change in Fund Balance	<u>\$ (110,337)</u>	<u>\$ 74,827</u>	<u>\$ 185,164</u>

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

BOROUGH OF WHITE OAK

STATEMENT OF NET POSITION PROPRIETARY FUND

DECEMBER 31, 2012

Assets	Business-Type Activities - Enterprise Funds			
	Major Funds		Recreation Fund	Total
	Swimming Pool Fund	Solid Waste Disposal Fund		
Current assets:				
Cash and cash equivalents	\$ 52,720	\$ 106,207	\$ 4,303	\$ 163,230
Receivables:				
Other, net of allowance for doubtful accounts of \$38,273	-	261,708	-	261,708
Due from other funds	-	59,280	-	59,280
Total current assets	52,720	427,195	4,303	484,218
Non-current assets:				
Capital assets	1,242,875	120,030	-	1,362,905
Less accumulated depreciation	(817,714)	(82,713)	-	(900,427)
Total non-current assets	425,161	37,317	-	462,478
Total Assets	477,881	464,512	4,303	946,696
Liabilities				
Liabilities:				
Accounts payable and other current liabilities	1,551	50,514	-	52,065
Due to other funds	124,680	78,149	-	202,829
Total Liabilities	126,231	128,663	-	254,894
Net Position				
Net investment in capital	425,161	37,317	-	462,478
Unrestricted	(73,511)	298,532	4,303	229,324
Total Net Position	\$ 351,650	\$ 335,849	\$ 4,303	\$ 691,802

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities - Enterprise Funds			
	Major Funds			Total
	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	
Operating Revenues:				
Charges for services	\$ 99,659	\$ 619,296	\$ 5,995	\$ 724,950
Other operating revenue	1,002	4,574	3,287	8,863
Total operating revenues	100,661	623,870	9,282	733,813
Operating Expenses:				
Employee services	61,351	-	-	61,351
Employee benefits and taxes	12,360	-	-	12,360
Purchase of services	-	581,887	3,180	585,067
Operating material and supplies	33,501	-	5,338	38,839
Administrative expenses	32,477	-	1,928	34,405
Depreciation and amortization	32,288	10,566	-	42,854
Total operating expenses	171,977	592,453	10,446	774,876
Net Operating Gain (Loss)	(71,316)	31,417	(1,164)	(41,063)
Nonoperating Revenues (Expenses):				
Transfers in	-	51,553	-	51,553
Transfers out	-	(40,000)	-	(40,000)
Refund of prior year expenditures	-	230	-	230
Interest income	-	-	4	4
Total nonoperating revenues (expenses)	-	11,783	4	11,787
Change in Net Position	(71,316)	43,200	(1,160)	(29,276)
Net Position:				
Beginning of year	422,966	292,649	5,463	721,078
End of year	\$ 351,650	\$ 335,849	\$ 4,303	\$ 691,802

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, 2012

	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	Total
Cash Flows From Operating Activities:				
Receipts from customers	\$ 100,661	\$ 490,705	\$ 5,995	\$ 597,361
Receipt of other revenues	-	-	3,287	3,287
Payments to employees	(73,711)	-	-	(73,711)
Payments to suppliers	(65,350)	(594,624)	(10,446)	(670,420)
Net cash provided by (used in) operating activities	(38,400)	(103,919)	(1,164)	(143,483)
Cash Flows From Capital and Related Financing Activities:				
Interfund transfers	-	51,553	-	51,553
Capital expenditures	-	-	-	-
Net cash provided by (used in) capital and related financing activities	-	51,553	-	51,553
Cash Flows From Investing Activities:				
Miscellaneous	-	230	-	230
Interest income received	-	-	4	4
Net cash provided by (used in) investing activities	-	230	4	234
Net Increase (Decrease) in Cash and Cash Equivalents	(38,400)	(52,136)	(1,160)	(91,696)
Cash and Cash Equivalents:				
Beginning of year	91,120	198,343	5,463	294,926
End of year	\$ 52,720	\$ 146,207	\$ 4,303	\$ 203,230

(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, 2012

	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)	\$ (71,316)	\$ 31,417	\$ (1,164)	\$ (41,063)
Adjustments to reconcile net operating gain (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	32,288	10,566	-	42,854
Change in assets and liabilities:				
Due to other funds	-	1,672	-	1,672
Due from other funds	-	(53,558)	-	(53,558)
Other receivables	-	(79,607)	-	(79,607)
Accounts payable	628	(14,409)	-	(13,781)
Accrued liabilities	-	-	-	-
Total adjustments	32,916	(135,336)	-	(102,420)
Net cash provided by (used in) operating activities	\$ (38,400)	\$ (103,919)	\$ (1,164)	\$ (143,483)

(Concluded)

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

BOROUGH OF WHITE OAK

COMBINED STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2012

Assets	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
Investments (at fair value):				
Cash and cash equivalents	\$ -	\$ -	\$ 523,343	\$ 523,343
Common stock	101,404	340,756	-	442,160
General investment account	1,805,663	3,757,438	-	5,563,101
Total investments	1,907,067	4,098,194	523,343	6,528,604
Total Assets	1,907,067	4,098,194	523,343	6,528,604
Liabilities	-	-	-	-
Net Position				
Held in trust	\$ 1,907,067	\$ 4,098,194	\$ 523,343	\$ 6,528,604

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

BOROUGH OF WHITE OAK

COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
Additions:				
Contributions:				
Commonwealth	\$ 42,913	\$ 78,674	\$ -	\$ 121,587
Employer	49,887	88,971	78,280	217,138
Employee	20,312	48,010	-	68,322
Total contributions	113,112	215,655	78,280	407,047
Investment income (loss):				
Net appreciation in fair value of investments	57,096	180,069	-	237,165
Interest and dividends	67,947	196,812	5,902	270,661
Total investment income (loss)	125,043	376,881	5,902	507,826
Total additions	238,155	592,536	84,182	914,873
Deductions:				
Benefits	21,567	207,248	-	228,815
Administrative expense	17,426	24,732	-	42,158
Total deductions	38,993	231,980	-	270,973
Change in Net Position	199,162	360,556	84,182	643,900
Net Position:				
Beginning of year	1,707,905	3,737,638	439,161	5,884,704
End of year	\$ 1,907,067	\$ 4,098,194	\$ 523,343	\$ 6,528,604

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

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

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

The Borough reports the following major governmental funds:

General Fund

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

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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Capital Projects Fund

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

The Borough reports the following 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 type as an Other Governmental Fund:

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.

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

of resources for a \$2,000 retirement benefit to qualified public works and sewer employees. It is used to account for the accumulation of resources for a \$5,000 life insurance benefit for qualified employees other than police, public works, and sewer systems. In addition, it is used to account for funds set aside to cover future OPEB benefits for the police employees.

Cash and Investments

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

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

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

Budgets and Budgetary Accounting

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

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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Details of the budget at the account level of control are kept in the Borough office and are available for public inspection.

For 2012, 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, 2012:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 381,053
Adjustments:	
To adjust revenues and other financing sources to the modified accrual basis	(279,160)
To adjust expenditures and other financing uses to the modified accrual basis	<u>(90,672)</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 11,221</u>

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Super Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2012:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (426,805)
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>441,000</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 14,195</u>

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Capital Debt Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2012:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ (1,485,255)
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>68,163</u>
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u><u>\$ (1,417,092)</u></u>

The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Capital Projects Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2012:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 74,827
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><u>\$ 74,827</u></u>

Expenditures in Excess of Appropriations

By function in the General Fund, debt principal expenditures and transfers out exceeded the appropriations. In addition, in the Capital Debt Fund, the debt principal expenditures exceeded the appropriation. These excess expenditures were funded by excess budgeted revenues and favorable expense variances.

Interfund Receivables and Payables

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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 cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Compensated Absences

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

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

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

Administration employees receive 20 sick days per year, which can be carried over to the next year if unused. They can accrue a maximum of 150 days plus 20 days current (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 financial statements, compensated absences of \$192,423 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, 2012.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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.

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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Assigned

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

Unassigned

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

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

Net Position

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

- Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation 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 position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

- Unrestricted - This component of net position consists of net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Estimates

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

Adopted Pronouncements

GASB Statement No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”* The statement codifies into the GASB standards guidance located in FASB and AICPA pronouncements.

GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”* This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of net position and related disclosures. The primary impact of this statement on the Borough’s 2012 financial statements related to reporting the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources as net “position,” rather than net “assets.” As of December 31, 2012, the Borough had no items that qualified for reporting in the deferred inflow of resources or deferred outflow of resources categories.

Pending Pronouncements

GASB has issued Statement No. 61, *“The Financial Reporting Entity.”* The objective of this Statement is for financial reporting entity financial statements to be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement will become effective for the December 31, 2013 year-end.

GASB has issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* effective for periods beginning after December 15, 2012 (the Borough’s December 31, 2013 financial statements). This statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

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YEAR ENDED DECEMBER 31, 2012

GASB has issued Statement No. 67, *“Financial Reporting for Pension Plans,”* effective for financial statements for periods beginning after June 15, 2013 (the Borough’s December 31, 2014 financial statements), and has also issued Statement No. 68, *“Accounting and Financial Reporting for Pensions,”* effective for fiscal years beginning after June 15, 2014 (the Borough’s December 31, 2015 financial statements). These statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirements for most governments that provide their employees with pension benefits.

The effect of implementation of these statements has not yet been determined.

Reclassification

Certain reclassifications have been made to the footnotes to conform to the current year’s presentation.

2. CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned to it. The Borough does not have a formal deposit policy for custodial credit risk. At December 31, 2012, \$5,499,813 of the

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Borough's bank balance of \$6,004,619 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 \$5,952,878 as of December 31, 2012.

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, 2012, 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, \$5,563,101 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 6.91 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, 2012, the Borough also had Principal Financial common stock totaling \$442,160 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 \$523,343. The entire balance was exposed to custodial credit risk at December 31, 2012.

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

3. PROPERTY TAXES

The Borough is permitted by the Borough Code of the State of Pennsylvania to levy property taxes at the Borough's discretion as considered necessary for general governmental services. The Borough real estate taxes were levied at the rate of 5.66 mills per the 2012 tax ordinance. The Taxable assessed value for 2012 real estate taxes was \$337,175,168, 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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Taxes paid through May 31 are given a 2% discount. Amounts paid after July 31, 2012 are assessed a 10% penalty. Any uncollected balances at January 31, 2013 were turned over for collection to an outside service.

The property tax calendar for 2012 was as follows:

2012 Millage rate adopted	December 19, 2011
2012 Bills dated	April 1, 2012
2012 Two percent discount period ended	May 31, 2012
2012 Penalty period began	August 1, 2012

4. CAPITAL ASSETS

A summary of changes in capital assets during fiscal year 2012 is as follows:

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

	Balance at January 1, 2012	Additions	(Deletions)	Balance at December 31, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 758,866	\$ -	\$ -	\$ 758,866
Capital assets, being depreciated:				
Buildings	1,450,261	5,643	-	1,455,904
Land improvements	128,863	-	-	128,863
Equipment and vehicles	1,736,095	48,936	(18,388)	1,766,643
Infrastructure	3,487,990	1,585,843	-	5,073,833
	<u>6,803,209</u>	<u>1,640,422</u>	<u>(18,388)</u>	<u>8,425,243</u>
Less accumulated depreciation for:				
Buildings	(1,198,418)	(25,577)	-	(1,223,995)
Land improvements	(128,863)	(2,335)	-	(131,198)
Equipment and vehicles	(1,126,944)	(98,946)	3,508	(1,222,382)
Infrastructure	(231,185)	(169,128)	-	(400,313)
Total accumulated depreciation	<u>(2,685,410)</u>	<u>(295,986)</u>	<u>3,508</u>	<u>(2,977,888)</u>
Governmental activities				
Capital assets, net	<u>\$ 4,876,665</u>	<u>\$ 1,344,436</u>	<u>\$ (14,880)</u>	<u>\$ 6,206,221</u>

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

	Balance at January 1, 2012	Additions	(Deletions)	Balance at December 31, 2012
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	206,230	-	-	206,230
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
	<u>1,312,905</u>	<u>-</u>	<u>-</u>	<u>1,312,905</u>
Less accumulated depreciation for:				
Building and pool	(647,583)	(30,293)	-	(677,876)
Computers and equipment	(209,990)	(12,561)	-	(222,551)
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
Total accumulated depreciation	<u>(857,573)</u>	<u>(42,854)</u>	<u>-</u>	<u>(900,427)</u>
Business-type activities				
Capital assets, net	<u>\$ 505,332</u>	<u>\$ (42,854)</u>	<u>\$ -</u>	<u>\$ 462,478</u>

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

Governmental Activities:

General government	\$ 40,197
Public safety	218,650
Public works	37,139
Total depreciation expense - governmental activities	<u>\$ 295,986</u>

Business-Type Activities:

Pool	\$ 32,288
Solid waste	10,566
Total depreciation expense - enterprise activities	<u>\$ 42,854</u>

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers at December 31, 2012 are summarized below:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 224,047	\$ (85,033)
Super Fund	-	-
Capital Debt Fund	25,001	-
Swimming Pool Fund	-	(124,680)
Capital Projects Fund	-	(6,750)
Solid Waste Disposal Fund	59,280	(78,149)
Other Governmental Funds	752	(14,468)
Total	<u>\$ 309,080</u>	<u>\$ (309,080)</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 57,419	\$ (668,980)
Super Fund	-	(638)
Capital Debt Fund	560,536	(10,468)
Swimming Pool Fund	-	-
Capital Projects Fund	117,687	(21,006)
Solid Waste Disposal Fund	51,553	(40,000)
Other Governmental Funds	-	(46,103)
Total	<u>\$ 787,195</u>	<u>\$ (787,195)</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, 2012

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>
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	11,250	333	11,583
2018	9,742	105	9,847
	<u>\$ 63,812</u>	<u>\$ 3,950</u>	<u>\$ 67,762</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. The lease was paid in full by December 31, 2012.

Authority for Improvements in Municipalities (AIM)

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 21,733	\$ 1,167	\$ 22,900
2014	21,733	778	22,511
2015	21,733	389	22,122
	<u>\$ 65,199</u>	<u>\$ 2,334</u>	<u>\$ 67,533</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 commenced 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>
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	462,571	30,808	493,379
2018-2020	1,433,304	46,833	1,480,137
	<u>\$ 3,673,366</u>	<u>\$ 273,666</u>	<u>\$ 3,947,032</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 commenced 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

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

	Principal	Interest	Total
2013	\$ 21,728	\$ 1,077	\$ 22,805
2014	22,081	723	22,804
2015	22,439	365	22,804
	\$ 66,248	\$ 2,165	\$ 68,413

Capital Leases

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 lease was paid in full by December 31, 2012.

Governmental Activities:

	Balance at January 1, 2012	Principal Repayments	Other Changes	Balance at December 31, 2012	Due Within One Year
Loans and notes	\$ 4,364,238	\$ (495,613)	\$ -	\$ 3,868,625	\$ 487,534
Compensated absences	202,885	-	(10,462)	192,423	-
	\$ 4,567,123	\$ (495,613)	\$ (10,462)	\$ 4,061,048	\$ 487,534

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

	Principal	Interest	Total
2013	\$ 487,534	\$ 63,133	\$ 550,667
2014	495,144	55,133	550,277
2015	502,878	47,010	549,888
2016	466,202	38,760	504,962
2017	473,821	31,141	504,962
2018-2020	1,443,046	46,938	1,489,984
	\$ 3,868,625	\$ 282,115	\$ 4,150,740

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

7. PENSION PLANS

Plan Descriptions

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

As of January 1, 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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

For 2012, both employee groups were required to contribute based upon the financial requirements established by their collective bargaining contract. In 2012, the Non-Uniformed Plan contribution rate was 3.25% and the Police Retirement Plan contribution rate was 5.0%.

State funding provided \$121,587 toward meeting the MMO obligations totaling \$260,445 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	\$ 104,741	\$ 168,242
Contributions made	\$ 92,800	\$ 167,645
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%

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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 a net pension obligation of \$5,977 exists in the Police Plan at December 31, 2012. In addition, a net pension asset (a negative net pension obligation) of \$86,690 exists in the Non-Uniformed Plan at December 31, 2012.

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>	12/31/2010	\$ 96,343	93%	\$ (126,578)
	12/31/2011	109,635	75%	(98,631)
	12/31/2012	104,741	78%	(86,690)
<u>Police:</u>	12/31/2010	\$ 177,722	101%	\$ (2,228)
	12/31/2011	168,907	95%	5,380
	12/31/2012	168,242	96%	5,977

The Borough has a net pension asset (a negative net pension obligation (NPO)) in their Non-Uniformed Plan as of December 31, 2012 calculated as follows:

Annual required contribution	\$ 92,800
Interest on NPO	(6,411)
Adjustments to the ARC	18,352
	<hr/>
Annual pension cost	104,741
Contribution made	92,800
	<hr/>
Change in NPO	11,941
NPO, 12/31/2011	(98,631)
	<hr/>
NPO, 12/31/2012	<u>\$ (86,690)</u>

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

The Borough has a net pension obligation in their Police Plan as of December 31, 2012 calculated as follows:

Annual required contribution	\$ 167,645
Interest on NPO	350
Adjustments to the ARC	<u>247</u>
Annual pension cost	168,242
Contribution made	<u>167,645</u>
Change in NPO	597
NPO, 12/31/2011	<u>5,380</u>
NPO, 12/31/2012	<u>\$ 5,977</u>

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

Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Non-Uniformed:					
\$ 1,514,772	\$ 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.

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

8. 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 though there are different types of benefits and different employee groups included. The plan operates as a single employer defined benefit plan. Stand-alone financial statements are not issued for the plan.

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

Funding Policy: The plan is considered “partially funded.” For fiscal year 2012, the Borough contributed \$78,280 to the plan. Employees are not required to make contributions for basic life insurance or health insurance.

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

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

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

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

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

Annual required contribution	\$ 45,779
Interest on net OPEB obligation	(1,163)
Adjustment to annual required contribution	<u>2,241</u>
Annual OPEB cost	46,857
Contributions made	<u>78,280</u>
Increase (decrease) in net OPEB obligation	(31,423)
Net OPEB obligation (asset) beginning of year	<u>(23,258)</u>
Net OPEB obligation (asset) end of year	<u><u>\$ (54,681)</u></u>

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

Amortization method	Level dollar
Asset valuation method	Market value
Remaining amortization period	15 years
Actuarial assumptions:	
Investment rate of return	5.0%
Health care inflation rate	4% for 2012 5% for 2013 and later
Dental inflation rate	0% for 2012 3% for 2013 and later
Age adjustment for health care costs:	
Age 45	\$ 4,494
Age 50	5,287
Age 55	6,218
Age 60	7,421
Age 64	8,353

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

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, 2012	\$ 46,857	167.06%	\$ (54,681)
December 31, 2011	75,272	99.59%	(23,258)
December 31, 2010	75,335	95%	(23,565)

BOROUGH OF WHITE OAK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

9. DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan (plan) created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The funds are not available to employees until termination, retirement, death, or unforeseeable emergency. At December 31, 2012, 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, 2012 totaled \$308,168. Under the provisions of GASB Statement No. 32, *“Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,”* the plan is not required to be included in the Borough’s financial statements.

10. 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.

11. SUBSEQUENT EVENT

In February 2013, the Borough’s Council approved an ordinance to remove the restriction on the cash and cash equivalents in the Super Fund and to allocate these funds to the General Fund or a fund established for these funds without a restriction.

**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>			
	2007	\$ 51,722	>100%
	2008	48,777	>100%
	2009	65,187	>100%
	2010	89,323	100%
	2011	96,682	84%
	2012	92,800	100%
 <u>Police:</u>			
	2007	\$ 61,891	100%
	2008	51,213	100%
	2009	96,000	100%
	2010	162,964	110%
	2011	168,805	96%
	2012	167,645	100%

Note: Contributions include state pension aid.

See accompanying note to required supplementary information.

BOROUGH OF WHITE OAK

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2012

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, 2012
(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>
01/01/12	\$ 439,161	\$ 625,626	\$ (186,465)	70.2%	N/A	N/A
01/01/09	192,370	706,353	(513,983)	27.2%	N/A	N/A

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

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2012

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

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

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

Premium Schedules as of January 1, 2012

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

Supplementary Information

BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2012

	Liquid Fuels		
	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 178,900	\$ 178,422	\$ (478)
Interest, rent, and royalties	180	-	(180)
Total revenues	179,080	178,422	(658)
Expenditures:			
Current:			
Public works	191,800	200,156	(8,356)
Capital outlay	-	7,232	-
Total expenditures	191,800	207,388	(8,356)
Excess (Deficiency) of Revenues Over Expenditures	(12,720)	(28,966)	(16,246)
Other Financing (Sources) Uses:			
Transfers in (out)	(76,196)	(46,103)	30,093
Net Change in Fund Balance	\$ (88,916)	\$ (75,069)	\$ 13,847