

## **Borough of White Oak**

Financial Statements and Required  
Supplementary and Supplementary Information

Year Ended December 31, 2013  
with Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# **BOROUGH OF WHITE OAK**

YEAR ENDED DECEMBER 31, 2013

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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, 2013, 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary activity of the Borough as of December 31, 2013, 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 xiv and the pension and OPEB information on pages 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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 nonmajor fund financial statements and special revenue fund budgetary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and special revenue fund budgetary information 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  
October 30, 2014

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, 2013. 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, 2013. The Management's Discussion and Analysis provides a comparative analysis between 2013 and 2012 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.

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, 2013

## 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, 2013 was \$9,314,261, of which \$6,305,499 is net investment in capital assets. Capital assets account for approximately 64.9% of the Borough total assets of \$9,849,485. The remainder of the Borough's assets includes cash and cash equivalents and receivables.

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 total liabilities are \$535,224 as of December 31, 2013 and consist of long-term debt, accounts payable and other accrued liabilities. At December 31, 2012, the Borough's total liabilities are \$4,334,278 and consist of long-term debt, accounts payable, and other accrued liabilities.

The dramatic decrease in the total liabilities of the Borough was due to the fact that the 10-year Pennsylvania Infrastructure Banking Loan (PIB) was pre-paid. Principal in the amount of \$3,673,366 and interest in the amount of \$95,520 were paid in December. This decision was made as the Borough was paying out more in interest on the loan than it was earning on the remaining proceeds from the loan.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

associated with this ongoing project. In 2013, the Borough had engineering expenses associated with a community center project totaling \$12,051.

Council did allocate \$43,600 in the General Fund to be transferred to Capital Projects for this project in 2013. This transfer was made and assigned to a reserve for the Community Center, along with a realignment of an additional \$200,000 from the reserve for a total reserve allocation in 2013 of \$532,100.

In December 2011, the Borough did receive written confirmation from the Commonwealth of Pennsylvania Department of Conservation and Natural Resources (DCNR) that a \$500,000 matching grant has been awarded to the Borough. At this time, the Borough has not made a formal commitment to accept or reject this grant. A decision to proceed with this project was not formally made until 2014.

Capital purchases included the following:

| Description                       | Department     | Costs              |
|-----------------------------------|----------------|--------------------|
| Taser                             | Police Dept    | \$1,681.95         |
| Desk Top Computer                 | Police Dept    | 1,470.00           |
| Cruiser – SUV                     | Police Dept    | 34,724.00          |
| Bullet Resistant Vests            | Police Dept    | 9,071.50           |
| Computer Server                   | Office/Admin   | 7,155.00           |
| Radio Repeater                    | Police/PW Dept | 7,826.20           |
| Building Upgrade – Salt Shed Roof | PW Dept        | 5,135.00           |
| Building Upgrade – Library Door   | Library        | 1,392.00           |
| <b>TOTAL COSTS</b>                |                | <b>\$68,455.65</b> |

Infrastructure

The infrastructure projects included storm sewer/French drain projects, and catch basin projects:

| Project No.        | Description                                   | Cost               |
|--------------------|---|--------------------|
| 13-01              | Catch Basin – Midway/Circle Drive             | \$1,058.36         |
| 13-02              | Storm Sewer Tap in 220 Cool Springs Road      | 1,704.90           |
| 13-03              | Catch Basin – 1621 Ohio Avenue                | 4,940.02           |
| 13-04              | Storm Sewer Tap In 1621 Ohio Avenue           | 1,787.44           |
| 13-05              | Storm Sewer – Patch Pipe McCully/Glass Street | 674.68             |
| 13-06              | Catch Basin – 1425 Kansas                     | 1,264.44           |
| 13-07              | Catch Basin – Skelly St/California Ave.       | 1,910.60           |
| 13-08              | Storm Sewer – Pennsylvania Avenue             | 673.78             |
| 13-09              | Catch Basin – 203 Circle Drive                | 2,641.32           |
| 13-10              | Catch Basin – McClure @ Rite Aid              | 931.30             |
| 13-11              | Catch Basin – 2645 Messinger Lane             | 2,207.12           |
| <b>TOTAL COSTS</b> |   | <b>\$19,793.86</b> |

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, 2013

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 \$6,813,182 at December 31, 2013, \$6,528,604 at December 31, 2012, \$5,884,704 at December 31, 2011, and \$5,432,965 at December 31, 2010. (Page 15 of Report)

## OTHER FINANCIAL HIGHLIGHTS

### **Government –Wide Financial Statements – Page 2 of Report**

Program revenues for fiscal year 2013 of \$1,248,360 consist mainly of charges for services (63.3%), which relate mainly to solid waste billing. General revenues of \$3,424,631 consist mainly of real estate and earned income taxes. Expenses totaled \$4,528,820 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, 2013 is a positive \$144,172. For the government-wide financial statements, transfers have been eliminated. Note that there is an increase of \$22,127 in the general revenues from 2012 to 2013.

Program revenues for fiscal year 2012 of \$1,370,939 consist mainly of charges for services (64.4%) 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 in 2010. The increase in pool passes realized in 2010, under the new fee schedule, seems to have carried through in 2011, 2012, and 2013. Although total revenues in 2013 were down, this was due to a decrease in daily admissions as well as after-hour pool parties. This can be attributed to the inclement weather during the season. 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 \$216,467. For the government-wide financial statements, transfers have been eliminated.

### **Fund Statements – Page 5 of Report**

For the year ending December 31, 2013, real estate and other taxes (EIT, BP, MT, RAD) account for the majority of the Borough revenues (85.0%). Without the RAD and Miscellaneous Taxes being included, that percent is reduced to 80.33%. 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%.

### **Real Estate Taxes and Assessed Value**

White Oak levies millage rates for general purposes and fire protection. There is not a separate levy for fire protection; it is a combined general purpose levy which includes general purpose allocations for fire protection. Below is a breakdown of the assessed value, millage rate, and face value of statements. Certified value as of January 1, 2013 was \$406,261,608.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

| (Value as of 12/31)     | 2009          | 2010          | 2011          | 2012          | 2013          |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Assessed Value 12/31    | \$335,915,588 | \$336,655,388 | \$330,443,463 | \$338,761,618 | \$391,707,107 |
| Purpose                 |               |               |               |               |               |
| General                 | 4.16          | 4.16          | 5.66          | 5.66          | 4.66          |
| Fire                    | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Total                   | 4.16          | 4.16          | 5.66          | 5.66          | 4.66          |
| Face Value of Statement | \$1,397,408   | \$1,400,486   | \$1,870,310   | \$1,917,390   | \$1,825,355.  |

The taxable assessed value shows a decrease from 1/1/2013 to 12/31/2013 of \$14,545,501, which represents a decrease of \$67,824. For the period from 1/1/2012 to 12/31/2012, the taxable assessed value showed an increase 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.

Based on 2013 information, approximately 90% of the real estate tax levy is paid at the 2% discount rate, another 5% paid at face, 4.4% paid at penalty, and another .6% in unpaid 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. 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 \$112,836 for 2012 and \$109,435 for 2013 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 2013 median value of a residential home within White Oak Borough was \$79,800. In 2012, median value of a residential home within White Oak Borough was \$76,200. This value is listed on the Allegheny County Website – Municipal Map, Community Profile Page.

Based on 2013 median value, property owners would pay the following in real estate taxes at face. The Borough tax levy remained the same from 2011 to 2012.

| Taxing Jurisdiction                             | 2011       | 2012       | 2013       |
|---|------------|------------|------------|
| County (11-4.69) (12-5.69) (13 4.73)            | \$340.03   | \$433.58   | \$377.45   |
| Borough (11-5.66) (12-5.66) (13 4.66)           | 410.35     | 431.30     | 371.76     |
| School District (11-17.05)(12-17.49) (13 15.22) | 1,236.13   | 1,332.74   | 1,214.56   |
| TOTAL   | \$1,986.51 | \$2,197.62 | \$1,963.76 |

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 reassessment took place in 2001 and was effective in 2002. There were a large number of

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

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 11 of Report

**2013**

| Fund Name             | Expenses  | Revenues | Non-Operating | +/- Expenses Over Revenues |
|-----------------------|-----------|----------|---------------|----------------------------|
| Swimming Pool         | \$159,541 | \$95,323 |               | +64,218                    |
| Solid Waste Disposal  | 558,567   | 564,839  |               | -6,272                     |
| Other Recreation Fund | 12,788    | 13,142   |               | - 354                      |

**2012**

| Fund Name             | Expenses  | Revenues  | Non-Operating | +/- Expenses Over Revenues |
|-----------------------|-----------|-----------|---------------|----------------------------|
| Swimming Pool         | \$171,977 | \$100,661 |               | +\$71,316                  |
| Solid Waste Disposal  | 592,453   | 623,870   |               | -31,417                    |
| Other Recreation Fund | 10,446    | 9,282     |               | +1,164                     |

As of December 31, 2013, the Pool/Park Fund contains a due to the General Fund. That amount is \$191,850 and is for payroll expenditures. It is suggested that the Borough consider writing off this balance, which represents three (3) years of unreimbursed payroll expenses.

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

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

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

The 2012 revenues were \$345,986 more than the adopted Budget.

The 2011 actual expenditures were \$475,931 less than budgeted.

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

**Capital Assets** - Pages 30/31 of Report

The Borough's capital assets as of December 31, 2013, net of accumulated depreciation, amounted to \$6,393,485. The Borough's capital assets as of December 31, 2012, net of accumulated depreciation, amounted to \$6,668,699. Capital assets consist primarily of land,

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

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

**Capital Leases**

In 2013, the Borough did not enter into any new commercial capital leases.

**Long-Term Debt** - Pages 33-35 of Report

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

| Loan              | Issue Date | Original Value | Interest Rate | Term (Years) | Maturity Date | Principal Balance as of 12/13 | Interest as of 12/13 | Total Principal & Interest Due |
|-------------------|------------|----------------|---------------|--------------|---------------|-------------------------------|----------------------|--------------------------------|
| WO#1 – fire truck | Oct 03     | \$150,000      | 2.00          | 15 years     | Nov 2018      | \$53,426                      | \$2,753              | \$ 56,179                      |
| WOB Aim Loan      | April 10   | 108,666        | 1.79          | 5 years      | April 2015    | 43,466                        | 1,167                | 44,633                         |
| WOB PIB Loan      | March 10   | 108,666        | 1.625         | 5 years      | March 2015    | 44,520                        | 1,088                | 45,608                         |
| <b>TOTAL</b>      |            |                |               |              |               | \$ 141,412                    | \$5,008              | \$146,420                      |

At December 31, 2013, the Borough had \$141,412 in short-term debt. This amount was drastically reduced when the PIB Loan for a three (3) road paving project was pre-paid in 2013.

At December 31, 2012, the Borough had \$4,166,348 in long-term and short-term debt. 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 \$53,426 (principal and interest) was secured by the Borough for the purchase of fire equipment for White Oak V.F.C. #1.

The total outstanding debt (loans and compensated absences), in the amount of \$355,500 as of December 31, 2013, represents a small per household burden of \$98.45 (3,611 occupied units, 2010 census). This also represents a small per capita burden of \$46.39 (7,663 population – 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.

The total outstanding debt (loans and 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 statements. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

*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, 2013 is \$23,153.63 with outstanding interest of \$662.00.

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, 2013 is \$82,950 with outstanding interest of \$9,954.66.

*White Oak V.F.C. #1*

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, 2013 is \$42,970.62 with outstanding interest of \$2,755.92.

These loans for Rainbow V.F.C. and White Oak V.F.C. #1 (principal/interest) are paid for by the Borough through the Fire Fund Reserve and annual allocation. The Borough did not guarantee 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**

|   | 2012        | 2013        |
|---|-------------|-------------|
| Beginning Balance* (Cash)                     | \$1,707,905 | \$1,907,067 |
| REVENUES                                      |             |             |
| Interest Income**                             | 67,947      | 63,353      |
| Unrealized Gains/Losses                       | 57,096      | 27,640      |
| Foreign Casualty Ins.                         | 42,913      | 46,612      |
| MMO   | 49,887      | 60,425      |
| Employee Contributions                        | 20,312      | 17,847      |
| Total Revenues                                | 238,155     | 215,877     |
| EXPENDITURES                                  |             |             |
| Administration Fees (Principal & Mockenhaupt) | 17,426      | 14,349      |
| Pension Benefits – Monthly                    | 21,567      | 21,567      |
| Pension – Refund Employee Contri              | 0           | 0           |
| Pension Benefits-Lump Sum                     | 0           | 281,924     |
| Total Expenditures                            | 38,993      | 317,840     |

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

|                                    |            |            |
|------------------------------------|------------|------------|
| Ending Balance***                  | 1,907,067  | 1,805,104  |
| Net Fund Balance                   | 199,162    | (101,963)  |
|                                    |            |            |
| MMO Requirement                    | 92,800     | 107,037    |
|                                    |            |            |
| Per Unit Stock Value 1/1 Per Share | 15.1153507 | 17.9245381 |
| Total All Shares 5,657.30 1/1      | 85,512     | 101,404    |
| Per Unit Stock Value 12/31         | 17.9245381 | 31.3107602 |
| Total All Shares 5,657.30 12/31    | 101,404    | 177,134    |

Balance as of December 31, 2013 in General Investment was \$1,805,104, while the year-end balance in the value of the Principal Financial Group Stock Account was \$177,134.

Balance as of January 1, 2013 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$1,907,067. The value of the stock at the beginning of 2013 was \$101,404.

The annual interest income rate of return for 2013 was 4.03%, for general investments with a 74.68% increase in the value of the common stock.

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

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.

Additional Notes:

The Non-Uniformed Pension Plan had an allocated balance of \$412,138 for retirees/non-retired participants at the beginning of 2013 and \$360,174 for retirees/non-retired participants at the end of 2013. The statement for this fund does not provide a breakdown of interest income earned between the allocated and unallocated balances. The non-allocated balance at the beginning of 2013 was \$1,217,171 and at the end of 2013 was \$1,193,569.

The amount received from Foreign Fire Insurance was not at a level sufficient enough to cover the MMO (\$107,037) for 2013. Therefore, the Borough was required to contribute \$46,612 under the MMO.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

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.

**Uniformed Pension Plan**

|   | 2012        | 2013        |
|---|-------------|-------------|
| Beginning Balance* (Cash)                     | \$3,737,638 | \$4,098,194 |
| REVENUES                                      |             |             |
| Interest Income**                             | 196,812     | 189,015     |
| Unrealized Gains/Losses                       | 180,069     | 176,783     |
| Foreign Casualty Ins.                         | 78,674      | 85,456      |
| MMO   | 88,971      | 90,325      |
| Employee Contributions                        | 48,010      | 42,391      |
| Total Revenues                                | 592,536     | 583,970     |
| EXPENDITURES                                  |             |             |
| Administration Fees (Principal & Mockenhaupt) | 17,426      | 13,836      |
| Pension Benefits                              | 214,554     | 247,227     |
| Total Expenditures                            | 231,980     | 261,063     |
| Ending Balance****                            | 4,098,194   | 4,421,101   |
| Net Fund Balance                              | \$360,556   | \$322,907   |
| ,   |             |             |
| MMO Requirement                               | \$167,645   | \$175,781   |
| Per Unit Stock Value 1/1 Per Share            | 15.1153507  | 17.9245381  |
| Total All Shares 19,010.6 1/1                 | 287,352     | 340,935     |
| Per Unit Stock Value 12/31                    | 17.9245381  | 31.3107602  |
| Total All Shares 19,010.6 12/31               | 340,756     | 595,236     |

Balance as of December 31, 2013 in General Investment was \$4,421,101, while the year-end balance in the value of the Principal Financial Group Stock Account was \$595,236.

Balance as of January 1, 2013 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$3,757,259. The remainder of the beginning balance of \$340,935 is the value of the stock at the beginning of 2013.

The annual interest income rate of return for 2013 was 4.27 for general investments with a 74.68% increase in the value of the common stock.

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

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.

## Additional Notes:

The Uniformed Pension Plan had an allocated balance \$1,054,193 for retiree participants at the beginning of 2013, and at the end of 2013 the allocated balance for retiree participants is \$1,026,057. 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 2013 was \$3,078,3624 and at the end of the year the non-allocated balance was \$3,222,122.

The amount received from Foreign Casualty Insurance was not at a level sufficient enough to cover the MMO (\$175,781) for 2013. Therefore, the Borough was required to contribute \$90,325 under the MMO.

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.

## 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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

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.

| *ARC – Annual Required Contribution                           | 2012      | 2013      |
|---|-----------|-----------|
| Beginning Balance   |           |           |
| Checking  | \$439,161 | \$523,343 |
| Due from GF   |           |           |
| Total Beginning Balance                                       |           | 523,3423  |
| ARC * Transfer  | 78,280    | 68,104    |
| Interest Income   | 5,902     | 680       |
| Total Revenues  | 84,182    | 68,784    |
| Expenditures  |           |           |
| \$2000 Cash Benefit Upon Retirement                           |           | 2,000     |
| \$5000 Paid Up Policy Upon Retirement                         |           | 0         |
| Medical Benefits (Hospitalization, Dental, Vision, Term Life) |           | 0         |
|   |           |           |
| Transfer to GF – cover current year expenses                  | 0         |           |
| Administrative Expenses                                       | 0         | 3,105     |
| Total Expenditures  | 0         | 5,105     |
| Due to General Fund   |           | 4,087     |
| Total Expenditures & Liabilities                              |           | 9,192     |
| Net Fund Balance  | \$523,343 | \$582,935 |

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2013

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.

## Deferred Compensation Plan – 457B - (page 43 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 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, 2013, current and retired employees has a combined assets value of \$303,666.

## Miscellaneous Notes

Under GASB Statement No. 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 balances as of December 31, 2013 are \$326,145 and \$861,606, 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.

## 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, 2013

|  | Governmental<br>Activities | Business-Type<br>Activities | Total               |
|--|----------------------------|-----------------------------|---------------------|
| <b>Assets</b>  |                            |                             |                     |
| Cash and cash equivalents                                    | \$ 2,282,940               | \$ 222,875                  | \$ 2,505,815        |
| Receivables:   |                            |                             |                     |
| Taxes  | 541,643                    | -                           | 541,643             |
| Other, net of allowance for doubtful accounts<br>of \$38,273 | 27,150                     | 233,136                     | 260,286             |
| Internal balances  | 210,544                    | (210,544)                   | -                   |
| Net pension asset  | 73,784                     | -                           | 73,784              |
| Net OPEB asset   | 74,472                     | -                           | 74,472              |
| Capital assets, not being depreciated                        | 758,866                    | 50,000                      | 808,866             |
| Capital assets, net of accumulated depreciation              | 5,205,383                  | 379,236                     | 5,584,619           |
| <b>Total Assets</b>  | <b>9,174,782</b>           | <b>674,703</b>              | <b>9,849,485</b>    |
| <b>Liabilities</b>   |                            |                             |                     |
| Liabilities:   |                            |                             |                     |
| Accounts payable and other current liabilities               | 78,011                     | 41,301                      | 119,312             |
| Accrued liabilities  | 43,713                     | -                           | 43,713              |
| Due to fiduciary funds                                       | 16,699                     | -                           | 16,699              |
| Non-current liabilities:                                     |                            |                             |                     |
| Due within one year  | 54,410                     | -                           | 54,410              |
| Due in more than one year                                    | 301,090                    | -                           | 301,090             |
| <b>Total Liabilities</b>                                     | <b>493,923</b>             | <b>41,301</b>               | <b>535,224</b>      |
| <b>Net Position</b>  |                            |                             |                     |
| Net investment in capital assets                             | 5,876,263                  | 429,236                     | 6,305,499           |
| Restricted for:  |                            |                             |                     |
| Liquid fuels   | 39,169                     | -                           | 39,169              |
| Unrestricted   | 2,765,427                  | 204,166                     | 2,969,593           |
| <b>Total Net Position</b>                                    | <b>\$ 8,680,859</b>        | <b>\$ 633,402</b>           | <b>\$ 9,314,261</b> |

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

# BOROUGH OF WHITE OAK

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

| <u>Functions/Programs</u>  | <u>Expenses</u>     | Program Revenues        |  |  | Net (Expense) Revenue and Change in Net Position |                             |                    |
|--|---------------------|-------------------------|--|--|--|-----------------------------|--------------------|
|  |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                       | Business-Type<br>Activities | Total              |
| Primary Government:  |                     |                         |  |  |  |                             |                    |
| Governmental activities:   |                     |                         |  |  |  |                             |                    |
| General government   | \$ 732,881          | \$ 69,042               | \$ 148,581                               | \$ -                                   | \$ (515,258)                                     | \$ -                        | \$ (515,258)       |
| Public safety  | 2,047,081           | 39,737                  | 132,046                                  | -                                      | (1,875,298)                                      | -                           | (1,875,298)        |
| Public works   | 836,449             | 8,211                   | 177,351                                  | -                                      | (650,887)  | -                           | (650,887)          |
| Culture and recreation   | 82,552              | 325                     | 572                                      | -                                      | (81,655)   | -                           | (81,655)           |
| Interest on long-term debt   | 98,961              | -                       | -  | -                                      | (98,961)   | -                           | (98,961)           |
| Total governmental activities                                      | 3,797,924           | 117,315                 | 458,550                                  | -                                      | (3,222,059)                                      | -                           | (3,222,059)        |
| Business-type activities:  |                     |                         |  |  |  |                             |                    |
| Solid waste services   | 558,567             | 564,030                 | -  | -                                      | -  | 5,463                       | 5,463              |
| Recreation   | 12,788              | 13,142                  | -  | -                                      | -  | 354                         | 354                |
| Heritage Hill Park   | 159,541             | 95,323                  | -  | -                                      | -  | (64,218)                    | (64,218)           |
| Total business-type activities                                     | 730,896             | 672,495                 | -  | -                                      | -  | (58,401)                    | (58,401)           |
| <b>Total Primary Government</b>                                    | <b>\$ 4,528,820</b> | <b>\$ 789,810</b>       | <b>\$ 458,550</b>                        | <b>\$ -</b>                            | <b>(3,222,059)</b>                               | <b>(58,401)</b>             | <b>(3,280,460)</b> |
| General revenues:  |                     |                         |  |  |  |                             |                    |
| Taxes:   |                     |                         |  |  |  |                             |                    |
| Property taxes, levied for general purposes, net of uncollectibles |                     |                         |  |  | 1,793,504  | -                           | 1,793,504          |
| Earned income tax  |                     |                         |  |  | 925,814  | -                           | 925,814            |
| Business privilege tax   |                     |                         |  |  | 212,886  | -                           | 212,886            |
| RAD sales tax  |                     |                         |  |  | 179,408  | -                           | 179,408            |
| Other taxes levied for general purposes                            |                     |                         |  |  | 132,152  | -                           | 132,152            |
| Investment earnings  |                     |                         |  |  | 23,435   | 1                           | 23,436             |
| Franchise fees   |                     |                         |  |  | 157,432  | -                           | 157,432            |
| Total general revenues and transfers                               |                     |                         |  |  | 3,424,631  | 1                           | 3,424,632          |
| <b>Change in Net Position</b>                                      |                     |                         |  |  | 202,572  | (58,400)                    | 144,172            |
| <b>Net Position:</b>   |                     |                         |  |  |  |                             |                    |
| Beginning of year  |                     |                         |  |  | 8,478,287  | 691,802                     | 9,170,089          |
| End of year  |                     |                         |  |  | \$ 8,680,859                                     | \$ 633,402                  | \$ 9,314,261       |

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

# BOROUGH OF WHITE OAK

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2013

|   | General<br>Fund     | Capital<br>Debt Fund | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Fund - Liquid<br>Fuels Fund | Total               |
|---|---------------------|----------------------|-----------------------------|--|---------------------|
| <b>Assets</b>   |                     |                      |                             |  |                     |
| Cash and cash equivalents   | \$ 1,373,512        | \$ -                 | \$ 861,606                  | \$ 47,822  | \$ 2,282,940        |
| Receivables (net, where applicable,<br>of allowance for uncollectibles):      |                     |                      |                             |  |                     |
| Taxes   | 541,643             | -                    | -                           | -  | 541,643             |
| Other   | 27,150              | -                    | -                           | -  | 27,150              |
| Due from other funds  | 270,718             | -                    | -                           | -  | 270,718             |
| <b>Total Assets</b>   | <b>\$ 2,213,023</b> | <b>\$ -</b>          | <b>\$ 861,606</b>           | <b>\$ 47,822</b>                                     | <b>\$ 3,122,451</b> |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>           |                     |                      |                             |  |                     |
| <b>Liabilities:</b>   |                     |                      |                             |  |                     |
| Accounts payable  | \$ 69,358           | \$ -                 | \$ -                        | \$ 8,653   | \$ 78,011           |
| Accrued liabilities   | 43,713              | -                    | -                           | -  | 43,713              |
| Due to other funds  | 76,873              | -                    | -                           | -  | 76,873              |
| <b>Total Liabilities</b>  | <b>189,944</b>      | <b>-</b>             | <b>-</b>                    | <b>8,653</b>   | <b>198,597</b>      |
| <b>Deferred Inflows of Resources:</b>   |                     |                      |                             |  |                     |
| Unavailable revenue - taxes   | 222,787             | -                    | -                           | -  | 222,787             |
| <b>Fund Balance:</b>  |                     |                      |                             |  |                     |
| Restricted:   |                     |                      |                             |  |                     |
| Liquid fuels  | -                   | -                    | -                           | 39,169   | 39,169              |
| Assigned:   |                     |                      |                             |  |                     |
| Fire protection   | 326,145             | -                    | -                           | -  | 326,145             |
| Capital projects  | -                   | -                    | 861,606                     | -  | 861,606             |
| Unassigned  | 1,474,147           | -                    | -                           | -  | 1,474,147           |
| <b>Total Fund Balance</b>   | <b>1,800,292</b>    | <b>-</b>             | <b>861,606</b>              | <b>39,169</b>  | <b>2,701,067</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources,<br/>and Fund Balance</b> | <b>\$ 2,213,023</b> | <b>\$ -</b>          | <b>\$ 861,606</b>           | <b>\$ 47,822</b>                                     | <b>\$ 3,122,451</b> |

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, 2013

|   |  |                         |              |                     |
|---|--|-------------------------|--------------|---------------------|
| <b>Total Fund Balance - Governmental Funds</b>  |  |                         |              | \$ 2,701,067        |
| 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 \$9,222,219 and the accumulated depreciation is \$3,257,970. |  |                         |              |                     |
|   |  |                         |              | 5,964,249           |
| Property taxes and earned income taxes receivable generally will be collected next year, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.    |  |                         |              |                     |
|   |  |                         |              | 222,787             |
| The net pension asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.   |  |                         |              |                     |
|   |  |                         |              | 73,784              |
| The net OPEB asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds.  |  |                         |              |                     |
|   |  |                         |              | 74,472              |
| 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 | \$ (141,412) |                     |
|   |  | Compensated absences    | (214,088)    | (355,500)           |
|   |  |                         |              | <u>(355,500)</u>    |
| <b>Total Net Position - Governmental Activities</b>   |  |                         |              | <u>\$ 8,680,859</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, 2013

|  | General<br>Fund | Capital Debt<br>Fund | Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | Total        |
|--|-----------------|----------------------|-----------------------------|--------------------------------|--------------|
| <b>Revenues:</b>   |                 |                      |                             |                                |              |
| Taxes  | \$ 3,274,619    | \$ -                 | \$ -                        | \$ -                           | \$ 3,274,619 |
| Licenses and permits                                     | 199,907         | -                    | -                           | -                              | 199,907      |
| Fines and forfeits                                       | 23,327          | -                    | -                           | -                              | 23,327       |
| Intergovernmental  | 182,739         | -                    | -                           | 174,710                        | 357,449      |
| Charges for services                                     | 54,566          | -                    | -                           | -                              | 54,566       |
| Interest, rents, and royalties                           | 22,255          | -                    | 1,040                       | 140                            | 23,435       |
| Miscellaneous  | 94,471          | -                    | 3,577                       | -                              | 98,048       |
| Total revenues   | 3,851,884       | -                    | 4,617                       | 174,850                        | 4,031,351    |
| <b>Expenditures:</b>                                     |                 |                      |                             |                                |              |
| Current:   |                 |                      |                             |                                |              |
| General government                                       | 524,279         | -                    | -                           | -                              | 524,279      |
| Public safety  | 1,790,916       | -                    | -                           | -                              | 1,790,916    |
| Public works   | 621,202         | -                    | -                           | 166,899                        | 788,101      |
| Culture and recreation                                   | 82,552          | -                    | -                           | -                              | 82,552       |
| Miscellaneous  | 193,624         | -                    | -                           | -                              | 193,624      |
| Capital outlay   | -               | -                    | 68,716                      | -                              | 68,716       |
| Debt service:  |                 |                      |                             |                                |              |
| Principal  | 10,385          | 3,716,828            | -                           | -                              | 3,727,213    |
| Interest   | 1,198           | 97,763               | -                           | -                              | 98,961       |
| Total expenditures                                       | 3,224,156       | 3,814,591            | 68,716                      | 166,899                        | 7,274,362    |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | 627,728         | (3,814,591)          | (64,099)                    | 7,951                          | (3,243,011)  |
| <b>Other Financing Sources (Uses):</b>                   |                 |                      |                             |                                |              |
| Transfers in   | 3,742,598       | 3,814,591            | 243,672                     | 14,468                         | 7,815,329    |
| Transfers out  | (3,884,113)     | (490,632)            | -                           | (3,440,584)                    | (7,815,329)  |
| Total other financing sources (uses)                     | (141,515)       | 3,323,959            | 243,672                     | (3,426,116)                    | -            |
| <b>Net Change in Fund Balance</b>                        | 486,213         | (490,632)            | 179,573                     | (3,418,165)                    | (3,243,011)  |
| <b>Fund Balance:</b>                                     |                 |                      |                             |                                |              |
| Beginning of year  | 1,314,079       | 490,632              | 682,033                     | 3,457,334                      | 5,944,078    |
| End of year  | \$ 1,800,292    | \$ -                 | \$ 861,606                  | \$ 39,169                      | \$ 2,701,067 |

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, 2013

**Net Change in Fund Balance - Governmental Funds** \$ (3,243,011)

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            | \$ 38,110        |           |
| Less: depreciation expense, net of deletions | <u>(280,082)</u> | (241,972) |

Some taxes will not be collected until after the Borough's year-end; they are not considered "available" revenues in the governmental funds. Unavailable revenues decreased by this amount during the year. (30,855)

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. 3,727,213

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. (6,929)

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. 19,791

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. (21,665)

**Change in Net Position of Governmental Activities** \$ 202,572

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, 2013

|  | Budget       | Actual<br>(Budgetary Basis) | Variance with<br>Budget |
|--|--------------|-----------------------------|-------------------------|
| <b>Revenues:</b>   |              |                             |                         |
| Taxes  | \$ 3,217,228 | \$ 3,142,202                | \$ (75,026)             |
| Licenses and permits   | 167,896      | 199,907                     | 32,011                  |
| Fines and forfeits   | 26,750       | 23,327                      | (3,423)                 |
| Intergovernmental  | 54,400       | 182,739                     | 128,339                 |
| Charges for services   | 23,250       | 72,208                      | 48,958                  |
| Interest, rents, and royalties                               | 1,090        | 22,255                      | 21,165                  |
| Miscellaneous  | 35,600       | 94,471                      | 58,871                  |
| Total revenues   | 3,526,214    | 3,737,109                   | 210,895                 |
| <b>Expenditures:</b>   |              |                             |                         |
| Current:   |              |                             |                         |
| General government   | 603,797      | 546,738                     | 57,059                  |
| Public safety  | 1,893,984    | 1,798,596                   | 95,388                  |
| Public works   | 826,695      | 621,202                     | 205,493                 |
| Culture and recreation                                       | 121,368      | 82,552                      | 38,816                  |
| Conservation and development                                 | 2,400        | -                           | 2,400                   |
| Miscellaneous  | 11,100       | 193,624                     | (182,524)               |
| Debt service:  |              |                             |                         |
| Principal  | 465,596      | 10,385                      | 455,211                 |
| Interest   | 69,895       | 1,198                       | 68,697                  |
| Total expenditures   | 3,994,835    | 3,254,295                   | 740,540                 |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | (468,621)    | 482,814                     | 951,435                 |
| <b>Other Financing Sources (Uses):</b>                       |              |                             |                         |
| Transfers in   | 313,923      | 3,695,927                   | 3,382,004               |
| Transfers out  | -            | (3,892,273)                 | (3,892,273)             |
| Total other financing sources (uses)                         | 313,923      | (196,346)                   | (510,269)               |
| <b>Net Change in Fund Balance</b>                            | \$ (154,698) | \$ 286,468                  | \$ 441,166              |

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, 2013

|  | Budget              | Actual<br>(Budgetary Basis) | Variance with<br>Budget |
|--|---------------------|-----------------------------|-------------------------|
| <b>Revenues:</b>   |                     |                             |                         |
| Interest, rents, and royalties                               | \$ -                | \$ -                        | \$ -                    |
| <b>Expenditures:</b>   |                     |                             |                         |
| Current:   |                     |                             |                         |
| Public works   | -                   | 68,163                      | (68,163)                |
| Debt service:  |                     |                             |                         |
| Principal  | 245,072             | 3,716,827                   | (3,471,755)             |
| Interest   | -                   | 97,764                      | (97,764)                |
| Total expenditures   | 245,072             | 3,882,754                   | (3,637,682)             |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>(245,072)</b>    | <b>(3,882,754)</b>          | <b>3,637,682</b>        |
| <b>Other Financing Sources (Uses):</b>                       |                     |                             |                         |
| Transfers in   | -                   | 3,839,592                   | 3,839,592               |
| Transfers out  | -                   | (490,632)                   | (490,632)               |
| Total other financing sources (uses)                         | -                   | 3,348,960                   | 3,348,960               |
| <b>Net Change in Fund Balance</b>                            | <b>\$ (245,072)</b> | <b>\$ (533,794)</b>         | <b>\$ (288,722)</b>     |

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, 2013

|  | <u>Budget</u>      | <u>Actual<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Budget</u> |
|--|--------------------|-------------------------------------|---------------------------------|
| <b>Revenues:</b>   |                    |                                     |                                 |
| Interest, rent, and royalties                                | \$ 600             | \$ 1,040                            | \$ 440                          |
| Miscellaneous  | -                  | 3,577                               | 3,577                           |
| Total revenues   | <u>600</u>         | <u>4,617</u>                        | <u>4,017</u>                    |
| <b>Expenditures:</b>   |                    |                                     |                                 |
| Capital outlay   | <u>272,433</u>     | <u>68,716</u>                       | <u>203,717</u>                  |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>(271,833)</u>   | <u>(64,099)</u>                     | <u>207,734</u>                  |
| <b>Other Financing (Sources) Uses:</b>                       |                    |                                     |                                 |
| Transfers in (out)   | <u>248,430</u>     | <u>236,922</u>                      | <u>(11,508)</u>                 |
| <b>Net Change in Fund Balance</b>                            | <u>\$ (23,403)</u> | <u>\$ 172,823</u>                   | <u>\$ 196,226</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, 2013

| <u>Assets</u>  | Business-Type Activities - Enterprise Funds |                              |                    |                   |
|--|---|------------------------------|--------------------|-------------------|
|  | Major Funds                                 |                              | Recreation<br>Fund | Total             |
|  | Swimming<br>Pool Fund                       | Solid Waste<br>Disposal Fund |                    |                   |
| Current assets:  |   |                              |                    |                   |
| Cash and cash equivalents                                    | \$ 76,839                                   | \$ 141,378                   | \$ 4,658           | \$ 222,875        |
| Receivables:   |   |                              |                    |                   |
| Other, net of allowance for<br>doubtful accounts of \$38,273 | -   | 233,136                      | -                  | 233,136           |
| Due from other funds   | -   | 60,174                       | -                  | 60,174            |
| <b>Total current assets</b>                                  | <b>76,839</b>                               | <b>434,688</b>               | <b>4,658</b>       | <b>516,185</b>    |
| Non-current assets:  |   |                              |                    |                   |
| Capital assets   | 1,250,701                                   | 120,030                      | -                  | 1,370,731         |
| Less accumulated depreciation                                | (848,216)                                   | (93,279)                     | -                  | (941,495)         |
| <b>Total non-current assets</b>                              | <b>402,485</b>                              | <b>26,751</b>                | <b>-</b>           | <b>429,236</b>    |
| <b>Total Assets</b>  | <b>479,324</b>                              | <b>461,439</b>               | <b>4,658</b>       | <b>945,421</b>    |
| <b>Liabilities</b>   |   |                              |                    |                   |
| Liabilities:   |   |                              |                    |                   |
| Accounts payable and other current liabilities               | 42  | 41,259                       | -                  | 41,301            |
| Due to other funds   | 191,850                                     | 78,868                       | -                  | 270,718           |
| <b>Total Liabilities</b>                                     | <b>191,892</b>                              | <b>120,127</b>               | <b>-</b>           | <b>312,019</b>    |
| <b>Net Position</b>  |   |                              |                    |                   |
| Net investment in capital assets                             | 402,485                                     | 26,751                       | -                  | 429,236           |
| Unrestricted   | (115,053)                                   | 314,561                      | 4,658              | 204,166           |
| <b>Total Net Position</b>                                    | <b>\$ 287,432</b>                           | <b>\$ 341,312</b>            | <b>\$ 4,658</b>    | <b>\$ 633,402</b> |

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, 2013

|   | Business-Type Activities - Enterprise Funds |                              |                    |                   |
|---|---|------------------------------|--------------------|-------------------|
|   | Major Funds                                 |                              |                    |                   |
|   | Swimming<br>Pool Fund                       | Solid Waste<br>Disposal Fund | Recreation<br>Fund | Total             |
| <b>Operating Revenues:</b>                    |   |                              |                    |                   |
| Charges for services                          | \$ 89,115                                   | \$ 556,689                   | \$ 9,987           | \$ 655,791        |
| Other operating revenue                       | 6,208                                       | 8,150                        | 3,155              | 17,513            |
| <b>Total operating revenues</b>               | <b>95,323</b>                               | <b>564,839</b>               | <b>13,142</b>      | <b>673,304</b>    |
| <b>Operating Expenses:</b>                    |   |                              |                    |                   |
| Employee services                             | 61,302                                      | -                            | -                  | 61,302            |
| Employee benefits and taxes                   | 7,494                                       | -                            | -                  | 7,494             |
| Purchase of services                          | -   | 548,001                      | 4,765              | 552,766           |
| Operating material and supplies               | 15,203                                      | -                            | 5,145              | 20,348            |
| Administrative expenses                       | 45,040                                      | -                            | 2,878              | 47,918            |
| Depreciation and amortization                 | 30,502                                      | 10,566                       | -                  | 41,068            |
| <b>Total operating expenses</b>               | <b>159,541</b>                              | <b>558,567</b>               | <b>12,788</b>      | <b>730,896</b>    |
| <b>Net Operating Gain (Loss)</b>              | <b>(64,218)</b>                             | <b>6,272</b>                 | <b>354</b>         | <b>(57,592)</b>   |
| <b>Nonoperating Revenues (Expenses):</b>      |   |                              |                    |                   |
| Refund of prior year fees                     | -   | (809)                        | -                  | (809)             |
| Interest income                               | -   | -                            | 1                  | 1                 |
| <b>Total nonoperating revenues (expenses)</b> | <b>-</b>                                    | <b>(809)</b>                 | <b>1</b>           | <b>(808)</b>      |
| <b>Change in Net Position</b>                 | <b>(64,218)</b>                             | <b>5,463</b>                 | <b>355</b>         | <b>(58,400)</b>   |
| <b>Net Position:</b>                          |   |                              |                    |                   |
| Beginning of year                             | 351,650                                     | 335,849                      | 4,303              | 691,802           |
| End of year                                   | <b>\$ 287,432</b>                           | <b>\$ 341,312</b>            | <b>\$ 4,658</b>    | <b>\$ 633,402</b> |

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, 2013

|   | Swimming<br>Pool Fund | Solid Waste<br>Disposal Fund | Recreation<br>Fund | Total      |
|---|-----------------------|------------------------------|--------------------|------------|
| <b>Cash Flows From Operating Activities:</b>                            |                       |                              |                    |            |
| Receipts from customers   | \$ 162,493            | \$ 592,517                   | \$ 9,987           | \$ 764,997 |
| Receipt of other revenues   | -                     | -                            | 3,155              | 3,155      |
| Payments to employees   | (68,796)              | -                            | -                  | (68,796)   |
| Payments to suppliers   | (61,752)              | (556,537)                    | (12,788)           | (631,077)  |
| Net cash provided by (used in) operating activities                     | 31,945                | 35,980                       | 354                | 68,279     |
| <b>Cash Flows From Capital and Related Financing Activities:</b>        |                       |                              |                    |            |
| Interfund transfers   | -                     | -                            | -                  | -          |
| Capital expenditures  | (7,826)               | -                            | -                  | (7,826)    |
| Net cash provided by (used in) capital and related financing activities | (7,826)               | -                            | -                  | (7,826)    |
| <b>Cash Flows From Investing Activities:</b>                            |                       |                              |                    |            |
| Miscellaneous   | -                     | (809)                        | -                  | (809)      |
| Interest income received  | -                     | -                            | 1                  | 1          |
| Net cash provided by (used in) investing activities                     | -                     | (809)                        | 1                  | (808)      |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>             | 24,119                | 35,171                       | 355                | 59,645     |
| <b>Cash and Cash Equivalents:</b>                                       |                       |                              |                    |            |
| Beginning of year   | 52,720                | 106,207                      | 4,303              | 163,230    |
| End of year   | \$ 76,839             | \$ 141,378                   | \$ 4,658           | \$ 222,875 |

(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, 2013

|  | Swimming<br>Pool Fund | Solid Waste<br>Disposal Fund | Recreation<br>Fund | Total       |
|--|-----------------------|------------------------------|--------------------|-------------|
| <b>Reconciliation of Net Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities:</b> |                       |                              |                    |             |
| Net operating gain (loss)  | \$ (64,218)           | \$ 6,272                     | \$ 354             | \$ (57,592) |
| Adjustments to reconcile net operating gain (loss) to net cash provided by (used in) operating activities: |                       |                              |                    |             |
| Depreciation and amortization  | 30,502                | 10,566                       | -                  | 41,068      |
| Change in assets and liabilities:  |                       |                              |                    |             |
| Due to other funds   | 67,170                | 719                          | -                  | 67,889      |
| Due from other funds   | -                     | (894)                        | -                  | (894)       |
| Other receivables  | -                     | 28,572                       | -                  | 28,572      |
| Accounts payable   | (1,509)               | (9,255)                      | -                  | (10,764)    |
| Total adjustments  | 96,163                | 29,708                       | -                  | 125,871     |
| Net cash provided by (used in) operating activities  | \$ 31,945             | \$ 35,980                    | \$ 354             | \$ 68,279   |

(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, 2013

| <b>Assets</b>                | Non-Uniformed<br>Pension<br>Fund | Police<br>Pension<br>Fund | Retired<br>Employee<br>Benefit Fund | Total        |
|------------------------------|----------------------------------|---------------------------|-------------------------------------|--------------|
| Investments (at fair value): |                                  |                           |                                     |              |
| Cash and cash equivalents    | \$ -                             | \$ -                      | \$ 586,977                          | \$ 586,977   |
| Common stock                 | 177,134                          | 595,236                   | -                                   | 772,370      |
| General investment account   | 1,623,156                        | 3,813,980                 | -                                   | 5,437,136    |
| Total investments            | 1,800,290                        | 4,409,216                 | 586,977                             | 6,796,483    |
| Due from other fund          | 4,814                            | 11,885                    | -                                   | 16,699       |
| <b>Total Assets</b>          | 1,805,104                        | 4,421,101                 | 586,977                             | 6,813,182    |
| <b>Liabilities</b>           | -                                | -                         | -                                   | -            |
| <b>Net Position</b>          |                                  |                           |                                     |              |
| Held in trust                | \$ 1,805,104                     | \$ 4,421,101              | \$ 586,977                          | \$ 6,813,182 |

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, 2013

|   | Non-Uniformed<br>Pension<br>Fund | Police<br>Pension<br>Fund | Retired<br>Employee<br>Benefit Fund | Total        |
|---|----------------------------------|---------------------------|-------------------------------------|--------------|
| <b>Additions:</b>                             |                                  |                           |                                     |              |
| Contributions:                                |                                  |                           |                                     |              |
| Commonwealth                                  | \$ 46,612                        | \$ 85,456                 | \$ -                                | \$ 132,068   |
| Employer                                      | 60,425                           | 90,325                    | 68,104                              | 218,854      |
| Employee                                      | 17,847                           | 42,391                    | -                                   | 60,238       |
| Total contributions                           | 124,884                          | 218,172                   | 68,104                              | 411,160      |
| Investment income (loss):                     |                                  |                           |                                     |              |
| Net appreciation in fair value of investments | 27,640                           | 176,783                   | -                                   | 204,423      |
| Interest and dividends                        | 63,353                           | 189,015                   | 680                                 | 253,048      |
| Total investment income (loss)                | 90,993                           | 365,798                   | 680                                 | 457,471      |
| Total additions                               | 215,877                          | 583,970                   | 68,784                              | 868,631      |
| <b>Deductions:</b>                            |                                  |                           |                                     |              |
| Benefits                                      | 303,491                          | 247,227                   | 2,000                               | 552,718      |
| Administrative expense                        | 14,349                           | 13,836                    | 3,150                               | 31,335       |
| Total deductions                              | 317,840                          | 261,063                   | 5,150                               | 584,053      |
| <b>Change in Net Position</b>                 | (101,963)                        | 322,907                   | 63,634                              | 284,578      |
| <b>Net Position:</b>                          |                                  |                           |                                     |              |
| Beginning of year                             | 1,907,067                        | 4,098,194                 | 523,343                             | 6,528,604    |
| End of year                                   | \$ 1,805,104                     | \$ 4,421,101              | \$ 586,977                          | \$ 6,813,182 |

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

# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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### **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.

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2013

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

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

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.

### 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. In 2013, this fund only represents the debt service activity for the Borough.

### Capital Projects Fund

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

# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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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:

### Super Fund

The Super Fund was 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 could 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 required 51% of the electors voting on a referendum on the ballot. In February 2013, Ordinance 3688 was passed repealing Ordinance 3476. All assets in the Super Fund were transferred to the General 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.

# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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The Borough has the following fiduciary funds:

### Fiduciary Funds

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

### Cash and Investments

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

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

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

### Budgets and Budgetary Accounting

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

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

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

In accordance with the Borough Code, beginning at least thirty days prior to the adoption of the budget, which shall not be later than December 31, a proposed budget for the ensuing

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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year shall be prepared in a manner designated by the Borough Council. The proposed budget shall be kept on file with the Borough's secretary/treasurer and made available for public inspection for a period of ten days. Notice that the proposed budget is available for public inspection is published by the Borough's secretary/treasurer in a newspaper of general circulation. After the expiration of the said ten days, Borough Council shall make such revisions in the budget as shall be deemed advisable and shall adopt the budget by motion. Details of the budget at the account level of control are kept in the Borough office and are available for public inspection.

For 2013, 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, 2013:

|  |                   |
|--|-------------------|
| Excess of revenues and other financing sources<br>over expenditures and other financing uses (budgetary basis) | \$ 286,468        |
| Adjustments:   |                   |
| To adjust revenues and other financing sources to the modified accrual basis                                   | 161,446           |
| To adjust expenditures and other financing uses to the modified accrual basis                                  | <u>38,299</u>     |
| Excess of revenues and other financing sources over<br>expenditures and other financing uses (GAAP basis)      | <u>\$ 486,213</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, 2013:

|  |                     |
|--|---------------------|
| Excess of revenues and other financing sources<br>over expenditures and other financing uses (budgetary basis) | \$ (533,794)        |
| Adjustments:   |                     |
| To adjust revenues and other financing sources to the modified accrual basis                                   | (25,001)            |
| To adjust expenditures and other financing uses to the modified accrual basis                                  | <u>68,163</u>       |
| Excess of revenues and other financing sources over<br>expenditures and other financing uses (GAAP basis)      | <u>\$ (490,632)</u> |

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Capital Projects Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2013:

|  |                   |
|--|-------------------|
| Excess of revenues and other financing sources<br>over expenditures and other financing uses (budgetary basis) | \$ 172,823        |
| Adjustments:   |                   |
| To adjust revenues and other financing sources to the modified accrual basis                                   | 6,750             |
| To adjust expenditures and other financing uses to the modified accrual basis                                  | <u>-</u>          |
| Excess of revenues and other financing sources over<br>expenditures and other financing uses (GAAP basis)      | <u>\$ 179,573</u> |

### Expenditures in Excess of Appropriations

In the General Fund, the miscellaneous expenditures exceeded the appropriation. The excess expenditures were funded by intergovernmental revenue received in 2013.

In the Capital Debt Fund, the debt principal, debt interest, and public works expenditures exceeded the appropriation. These excess expenditures were funded by transfers from the General Fund.

### Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

### 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, 2013

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### Property and Earned Income Taxes

Property tax revenue and earned income tax revenue are recognized based on amounts levied to the extent collected during the year. In accordance with Governmental Accounting Standards Board (GASB), earned income taxes are recognized as a receivable when the obligation to pay the tax is incurred by the taxpayer (i.e., income subject to the taxes earned). Uncollected property taxes and earned income taxes, reflected on the balance sheet as taxes receivable, are offset by deferred inflows of resources on the fund financial statements. Interest and penalty charges accrued on unpaid taxes are recognized as revenue when received. Tax refunds are charged against revenues when paid.

### Solid Waste Fund Accounts Receivable

The solid waste receivable is shown net of an allowance for uncollectible amounts of \$38,273. The allowance for uncollectible amounts is estimated by management. When the Members of Council approve the liening of a sanitation account, management writes off the amount as uncollectible under the direct write-off method.

### Capital Assets

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

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

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        |

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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Infrastructure

10-100

### Compensated Absences

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

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

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

Administration employees receive 20 sick days per year, which can be carried over to the next year if unused. They can accrue a maximum of 150 days plus 20 days current (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 \$214,088 are recorded as a non-current liability due in more than one year.

### Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. When incurred, bond premiums and discounts would be deferred and amortized over the life of the bonds. Bonds would then be reported net of the applicable bond premium or discount. The Borough has no bonds or related costs recorded at December 31, 2013.

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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### Fund Balance

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

#### Non-spendable

The non-spendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The Borough does not have a non-spendable fund balance as of December 31, 2013.

#### 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.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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### 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, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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- Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted - This component of net position consists of net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

### Estimates

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

### Adopted Pronouncements

The Borough has adopted GASB Statement No. 61, "*The Financial Reporting Entity.*" This statement improved financial reporting for a government reporting entity by modifying existing requirements for the assessment of potential component units. The adoption of this standard had no impact on the Borough's financial statements.

The Borough has adopted GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" 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.

### Pending Pronouncements

GASB has issued Statement No. 67, "*Financial Reporting for Pension Plans,*" effective for financial statements for periods beginning after June 15, 2013, and has also issued Statement No. 68, "*Accounting and Financial Reporting for Pensions,*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date,*" effective for fiscal years beginning after June 15, 2014. 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.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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GASB has issued Statement No. 69, *“Government Combinations and Disposals of Government Operations,”* effective for financial statements for periods beginning after December 15, 2013. This statement intends to improve accounting and financial reporting for combinations and disposals of government operations.

GASB has issued Statement No. 70, *“Accounting and Financial Reporting for Nonexchange Financial Guarantees,”* effective for financial statements for periods beginning after June 15, 2013. This statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees, and requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

## 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, 2013, \$2,109,624 of the Borough’s bank balance of \$2,614,645 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

# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2013

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collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$2,505,815 as of December 31, 2013.

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, 2013, 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, \$5,437,136 of these investments is pooled in a general investment account through Principal Financial Group. Funds are invested in a portfolio that consists of intermediate term, fixed income investments, such as public and private corporate bonds, fixed income investments, such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and U.S. government and agency-backed securities. These investments are carried at fair value. Principal Financial Group indicates from the general investment account an average effective maturity of 6.90 years and, therefore, they are subject to interest rate risk. 97% of these proprietary investments have external ratings of BBB or better. Custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments. To reduce investment risks, Principal Financial Group invests assets in a diversified portfolio. At December 31, 2013, the Borough also had Principal Financial common stock totaling \$772,370 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 \$586,977. The entire balance was exposed to custodial credit risk at December 31, 2013.

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

### **3. PROPERTY TAXES**

The Borough is permitted by the Borough Code of the State of Pennsylvania to levy property taxes at the Borough's discretion as considered necessary for general governmental services. The Borough real estate taxes were levied at the rate of 4.66 mills per the 2013 tax ordinance. The taxable assessed value for 2013 real estate taxes was \$406,261,608, which is

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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

Real estate taxes are based on assessed valuations provided by Allegheny County (County) and are levied on April 1. These taxes are billed and collected by an elected tax collector. Taxes paid through May 31 are given a 2% discount. Amounts paid after July 31, 2013 are assessed a 10% penalty. Any uncollected balances at January 31, 2014 were turned over for collection to an outside service.

The property tax calendar for 2013 was as follows:

|  |                   |
|--|-------------------|
| 2013 Millage rate adopted              | December 19, 2012 |
| 2013 Bills dated                       | April 1, 2013     |
| 2013 Two percent discount period ended | May 31, 2013      |
| 2013 Penalty period began              | August 1, 2013    |

#### **4. CAPITAL ASSETS**

A summary of changes in capital assets during fiscal year 2013 is as follows:

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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|  | Balance at<br>January 1, 2013 | Additions           | (Deletions)        | Balance at<br>December 31, 2013 |
|--|-------------------------------|---------------------|--------------------|---------------------------------|
| <b>Governmental Activities:</b>        |                               |                     |                    |                                 |
| Capital assets, not being depreciated: |                               |                     |                    |                                 |
| Land                                   | \$ 758,866                    | \$ -                | \$ -               | \$ 758,866                      |
| Capital assets, being depreciated:     |                               |                     |                    |                                 |
| Buildings                              | 1,455,904                     | 27,977              | -                  | 1,483,881                       |
| Land improvements                      | 128,863                       | -                   | -                  | 128,863                         |
| Equipment and vehicles                 | 1,766,643                     | 36,524              | (45,559)           | 1,757,608                       |
| Infrastructure                         | 5,073,833                     | 19,168              | -                  | 5,093,001                       |
|  | <u>8,425,243</u>              | <u>83,669</u>       | <u>(45,559)</u>    | <u>8,463,353</u>                |
| Less accumulated depreciation for:     |                               |                     |                    |                                 |
| Buildings                              | (1,223,995)                   | (14,029)            | -                  | (1,238,024)                     |
| Land improvements                      | (131,198)                     | (2,539)             | -                  | (133,737)                       |
| Equipment and vehicles                 | (1,222,382)                   | (93,747)            | -                  | (1,316,129)                     |
| Infrastructure                         | (400,313)                     | (169,767)           | -                  | (570,080)                       |
| Total accumulated depreciation         | <u>(2,977,888)</u>            | <u>(280,082)</u>    | <u>-</u>           | <u>(3,257,970)</u>              |
| Governmental activities                |                               |                     |                    |                                 |
| Capital assets, net                    | <u>\$ 6,206,221</u>           | <u>\$ (196,413)</u> | <u>\$ (45,559)</u> | <u>\$ 5,964,249</u>             |

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

|  | Balance at<br>January 1, 2013 | Additions   | (Deletions) | Balance at<br>December 31, 2013 |
|--|-------------------------------|-------------|-------------|---------------------------------|
| <b>Business-Type Activities:</b>       |                               |             |             |                                 |
| 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                       | 7,826       | -           | 214,056                         |
| Computer software                      | -                             | -           | -           | -                               |
| Mapping, copyright, and patent         | -                             | -           | -           | -                               |
|  | 1,312,905                     | 7,826       | -           | 1,320,731                       |
| Less accumulated depreciation for:     |                               |             |             |                                 |
| Building and pool                      | (677,876)                     | (26,680)    | -           | (704,556)                       |
| Computers and equipment                | (222,551)                     | (14,388)    | -           | (236,939)                       |
| Computer software                      | -                             | -           | -           | -                               |
| Mapping, copyright, and patent         | -                             | -           | -           | -                               |
| Total accumulated depreciation         | (900,427)                     | (41,068)    | -           | (941,495)                       |
| Business-type activities               |                               |             |             |                                 |
| Capital assets, net                    | \$ 462,478                    | \$ (33,242) | \$ -        | \$ 429,236                      |

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

**Governmental Activities:**

|  |            |
|--|------------|
| General government                                   | \$ 34,242  |
| Public safety  | 209,759    |
| Public works   | 36,081     |
| Total depreciation expense - governmental activities | \$ 280,082 |

**Business-Type Activities:**

|  |           |
|--|-----------|
| Pool   | \$ 30,502 |
| Solid waste  | 10,566    |
| Total depreciation expense - enterprise activities | \$ 41,068 |

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

Interfund receivables, payables, and transfers at December 31, 2013 are summarized below:

| <u>Fund</u>               | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|---------------------------|----------------------------------|-------------------------------|
| Major Funds:              |                                  |                               |
| General                   | \$ 270,718                       | \$ (76,873)                   |
| Capital Debt Fund         | -                                | -                             |
| Swimming Pool Fund        | -                                | (191,850)                     |
| Capital Projects Fund     | -                                | -                             |
| Solid Waste Disposal Fund | 60,174                           | (78,868)                      |
| Fiduciary Funds           | 16,699                           | -                             |
| Other Governmental Funds  | -                                | -                             |
| Total                     | <u>\$ 347,591</u>                | <u>\$ (347,591)</u>           |

| <u>Fund</u>               | <u>Transfers In</u> | <u>Transfers Out</u>  |
|---------------------------|---------------------|-----------------------|
| Major Funds:              |                     |                       |
| General                   | \$ 3,742,598        | \$ (3,884,113)        |
| Capital Debt Fund         | 3,814,591           | (490,632)             |
| Swimming Pool Fund        | -                   | -                     |
| Capital Projects Fund     | 243,672             | -                     |
| Solid Waste Disposal Fund | -                   | -                     |
| Other Governmental Funds  | 14,468              | (3,440,584)           |
| Total                     | <u>\$ 7,815,329</u> | <u>\$ (7,815,329)</u> |

Transfers between funds mainly represent reimbursements and administrative fees paid on behalf of other funds. Also, in 2013, all Super Fund assets were transferred to the General Fund. All due to/due from amounts are expected to be liquidated within the next year, except the \$191,850 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, 2013

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### 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>     |
|------|------------------|-----------------|------------------|
| 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>\$ 53,426</u> | <u>\$ 2,753</u> | <u>\$ 56,179</u> |

#### Authority for Improvements in Municipalities (AIM)

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

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

|      | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|------|------------------|-----------------|------------------|
| 2014 | \$ 21,733        | \$ 778          | \$ 22,511        |
| 2015 | 21,733           | 389             | 22,122           |
|      | <u>\$ 43,466</u> | <u>\$ 1,167</u> | <u>\$ 44,633</u> |

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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### 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%. The loan was paid in full by December 31, 2013.

### 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.

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

|      | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|------|------------------|-----------------|------------------|
| 2014 | \$ 22,081        | \$ 723          | \$ 22,804        |
| 2015 | 22,439           | 365             | 22,804           |
|      | <u>\$ 44,520</u> | <u>\$ 1,088</u> | <u>\$ 45,608</u> |

### Governmental Activities:

|                      | <u>Balance at<br/>January 1, 2013</u> | <u>Principal<br/>Repayments</u> | <u>Other<br/>Changes</u> | <u>Balance at<br/>December 31, 2013</u> | <u>Due Within<br/>One Year</u> |
|----------------------|---------------------------------------|---------------------------------|--------------------------|---|--------------------------------|
| Loans and notes      | \$ 3,868,625                          | \$ (3,727,213)                  | \$ -                     | \$ 141,412                              | \$ 54,410                      |
| Compensated absences | 192,423                               | 21,665                          | -                        | 214,088                                 | -                              |
|                      | <u>\$ 4,061,048</u>                   | <u>\$ (3,705,548)</u>           | <u>\$ -</u>              | <u>\$ 355,500</u>                       | <u>\$ 54,410</u>               |

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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

|      | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>      |
|------|-------------------|-----------------|-------------------|
| 2014 | \$ 54,410         | \$ 2,488        | \$ 56,898         |
| 2015 | 54,982            | 1,527           | 56,509            |
| 2016 | 11,028            | 555             | 11,583            |
| 2017 | 11,250            | 333             | 11,583            |
| 2018 | 9,742             | 105             | 9,847             |
|      | <u>\$ 141,412</u> | <u>\$ 5,008</u> | <u>\$ 146,420</u> |

### 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, 2013, the date of the most recent actuarial valuation, participants in the Non-Uniformed Plan and Police Plan were as follows:

|                            | <u>Non-Uniformed</u> | <u>Police</u> |
|----------------------------|----------------------|---------------|
| Participants:              |                      |               |
| Retirees and beneficiaries | 2                    | 10            |
| Deferred vested            | 6                    | 0             |
| Active employees:          |                      |               |
| Vested                     | 12                   | 7             |
| 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.

# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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

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

### Contributions and Funding Policy

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

For 2013, both employee groups were required to contribute based upon the financial requirements established by their collective bargaining contract. In 2013, the Non-Uniformed Plan contribution rate was 3.25% and the Police Retirement Plan contribution rate was 5.0%.

State funding provided \$132,068 toward meeting the MMO obligations totaling \$282,818 for the Non-Uniformed Plan and the Police Plan. The remaining portion was funded by the Borough.

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

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



# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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|                               | Non-<br>Uniformed      | Police                 |
|-------------------------------|------------------------|------------------------|
| Annual pension cost           | \$ 114,240             | \$ 175,507             |
| Contributions made            | \$ 107,037             | \$ 175,781             |
| Actuarial valuation date      | 1/1/2013               | 1/1/2013               |
| Actuarial cost method         | Entry Age<br>Normal    | Entry Age<br>Normal    |
| Amortization method           | Level Dollar<br>Closed | Level Dollar<br>Closed |
| Asset valuation method        | Fair Value             | Fair Value             |
| Amortization period           | 9 years                | 12 years               |
| Actuarial assumptions:        |                        |                        |
| Investment rate of return     | 6.25%                  | 6.25%                  |
| Post-retirement interest rate | 5.50%                  | N/A                    |
| Projected salary increases    | 4.25%                  | 4.50%                  |
| Underlying inflation rate     | 3.00%                  | 3.00%                  |

For the Police Plan, the Borough's net pension obligation at transition to GASB Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers*," was determined to be zero and a net pension obligation of \$5,703 exists in the Police Plan at December 31, 2013. In addition, a net pension asset (a negative net pension obligation) of \$79,487 exists in the Non-Uniformed Plan at December 31, 2013.

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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### Trend Information

|                       | <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation (Asset)</u> |
|-----------------------|--------------------|----------------------------------|--------------------------------------|---------------------------------------|
| <u>Non-Uniformed:</u> | 12/31/2011         | \$ 109,635                       | 75%                                  | \$ (98,631)                           |
|                       | 12/31/2012         | 104,741                          | 78%                                  | (86,690)                              |
|                       | 12/31/2013         | 114,240                          | 94%                                  | (79,487)                              |
| <u>Police:</u>        | 12/31/2011         | \$ 168,907                       | 95%                                  | \$ 5,380                              |
|                       | 12/31/2012         | 168,242                          | 96%                                  | 5,977                                 |
|                       | 12/31/2013         | 175,507                          | 100%                                 | 5,703                                 |

The Borough has a net pension asset (a negative net pension obligation (NPO)) in their Non-Uniformed Plan as of December 31, 2013 calculated as follows:

|                              |                           |
|------------------------------|---------------------------|
| Annual required contribution | \$ 107,037                |
| Interest on NPO              | (5,635)                   |
| Adjustments to the ARC       | <u>12,838</u>             |
| Annual pension cost          | 114,240                   |
| Contribution made            | <u>107,037</u>            |
| Change in NPO                | 7,203                     |
| NPO, 12/31/2012              | <u>(86,690)</u>           |
| NPO, 12/31/2013              | <u><u>\$ (79,487)</u></u> |

The Borough has a net pension obligation in their Police Plan as of December 31, 2013 calculated as follows:

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

|                              |                        |
|------------------------------|------------------------|
| Annual required contribution | \$ 175,781             |
| Interest on NPO              | 389                    |
| Adjustments to the ARC       | <u>(663)</u>           |
| Annual pension cost          | 175,507                |
| Contribution made            | <u>175,781</u>         |
| Change in NPO                | (274)                  |
| NPO, 12/31/2012              | <u>5,977</u>           |
| NPO, 12/31/2013              | <u><u>\$ 5,703</u></u> |

The Borough's funded status and related information as of the latest actuarial valuation date, January 1, 2013, is as follows:

| Actuarial<br>Value of<br>Assets | Actuarial<br>Liability (AAL)<br>Entry Age | Excess of<br>Assets<br>Over (Under)<br>AAL | Funded<br>Ratio | Covered<br>Payroll | Excess (Deficiency)<br>as a Percentage<br>of Covered<br>Payroll |
|---------------------------------|---|--|-----------------|--------------------|---|
| Non-Uniformed:                  |   |  |                 |                    |   |
| \$ 1,784,722                    | \$ 2,220,990                              | \$ (436,268)                               | 80.36%          | \$ 568,094         | (76.80)%  |
| Police:                         |   |  |                 |                    |   |
| \$ 4,832,848                    | \$ 5,054,420                              | \$ (221,572)                               | 95.62%          | \$ 808,844         | (27.39)%  |

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, 2013. The next actuarial valuation will be performed as of January 1, 2015 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, 2013

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### 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 2013, the Borough contributed \$68,104 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, 2013

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

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

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

|   |                           |
|---|---------------------------|
| Annual required contribution                  | \$ 45,779                 |
| Interest on net OPEB obligation               | (2,734)                   |
| Adjustment to annual required contribution    | <u>5,268</u>              |
| Annual OPEB cost                              | 48,313                    |
| Contributions made                            | <u>68,104</u>             |
| Increase (decrease) in net OPEB obligation    | (19,791)                  |
| Net OPEB obligation (asset) beginning of year | <u>(54,681)</u>           |
| Net OPEB obligation (asset) end of year       | <u><u>\$ (74,472)</u></u> |

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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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            | 5% for 2013 and later |
| Dental inflation rate                 | 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<br/>Cost (AOC)</u> | <u>Percentage of<br/>AOC Contributed</u> | <u>Net OPEB<br/>Obligation (Asset)</u> |
|--------------------|-----------------------------------|--|--|
| December 31, 2013  | \$ 48,313                         | 140.96%                                  | \$ (74,472)                            |
| December 31, 2012  | 46,857                            | 167.06%                                  | (54,681)                               |
| December 31, 2011  | 75,272                            | 99.59%                                   | (23,258)                               |

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2013

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### **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, 2013, 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, 2013 totaled \$303,666. 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.

**Required Supplementary  
Information**



# BOROUGH OF WHITE OAK

## SCHEDULES OF FUNDING PROGRESS

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability (AAL) | Excess of<br>Assets<br>Over (Under)<br>AAL | Funded<br>Ratio | Covered<br>Payroll | Excess as<br>a Percentage<br>of Covered<br>Payroll |
|--------------------------------|---------------------------------|---|--|-----------------|--------------------|--|
| <b><u>Non-Uniformed:</u></b>   |                                 |   |  |                 |                    |  |
| 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%)   |
| 1/1/2013                       | 1,784,722                       | 2,220,990                               | (436,268)                                  | 80.36%          | 568,094            | (76.80%)   |
| <b><u>Police:</u></b>          |                                 |   |  |                 |                    |  |
| 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%)   |
| 1/1/2013                       | 4,832,848                       | 5,054,420                               | (221,572)                                  | 95.62%          | 808,844            | (27.39%)   |

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<br/>Year</u> | <u>Annual<br/>Required<br/>Contributions</u> | <u>Percentage<br/>Contributed</u> |
|-----------------------|--------------------------|--|-----------------------------------|
| <u>Non-Uniformed:</u> |                          |  |                                   |
|                       | 2008                     | \$ 48,777                                    | >100%                             |
|                       | 2009                     | 65,187                                       | >100%                             |
|                       | 2010                     | 89,323                                       | 100%                              |
|                       | 2011                     | 96,682                                       | 84%                               |
|                       | 2012                     | 92,800                                       | 100%                              |
|                       | 2013                     | 107,037                                      | 100%                              |
| <br><u>Police:</u>    |                          |  |                                   |
|                       | 2008                     | \$ 51,213                                    | 100%                              |
|                       | 2009                     | 96,000                                       | 100%                              |
|                       | 2010                     | 162,964                                      | 110%                              |
|                       | 2011                     | 168,805                                      | 96%                               |
|                       | 2012                     | 167,645                                      | 100%                              |
|                       | 2013                     | 175,781                                      | 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, 2013

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

|                               | <u>Non-<br/>Uniformed</u> | <u>Police</u>          |
|-------------------------------|---------------------------|------------------------|
| Actuarial valuation date      | 1/1/2013                  | 1/1/2013               |
| Actuarial cost method         | Entry Age<br>Normal       | Entry Age<br>Normal    |
| Amortization method           | Level Dollar<br>Closed    | Level Dollar<br>Closed |
| Asset valuation method        | Fair Value                | Fair Value             |
| Amortization period           | 9 years                   | 12 years               |
| Actuarial assumptions:        |                           |                        |
| Investment rate of return     | 6.25%                     | 6.25%                  |
| Post-retirement interest rate | 5.50%                     | N/A                    |
| Projected salary increases    | 4.25%                     | 4.50%                  |
| Underlying inflation rate     | 3.00%                     | 3.00%                  |

# BOROUGH OF WHITE OAK

## SCHEDULE OF FUNDING PROGRESS OTHER POSTEMPLOYMENT BENEFIT PLANS

YEAR ENDED DECEMBER 31, 2013

(Dollar Amounts in Thousands)

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

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

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2013

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

## BALANCE SHEET OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2013

|   | Special Revenue<br>Funds |               | Total Other<br>Governmental<br>Funds |
|---|--------------------------|---------------|--------------------------------------|
|   | Liquid Fuels<br>Fund     | Super<br>Fund |                                      |
| <b>Assets</b>                             |                          |               |                                      |
| Cash and cash equivalents                 | \$ 47,822                | \$ -          | \$ 47,822                            |
| <b>Total Assets</b>                       | <u>\$ 47,822</u>         | <u>\$ -</u>   | <u>\$ 47,822</u>                     |
| <b>Liabilities and Fund Balance</b>       |                          |               |                                      |
| Liabilities:                              |                          |               |                                      |
| Accounts payable                          | \$ 8,653                 | \$ -          | \$ 8,653                             |
| Fund Balance:                             |                          |               |                                      |
| Restricted                                | 39,169                   | -             | 39,169                               |
| <b>Total Liabilities and Fund Balance</b> | <u>\$ 47,822</u>         | <u>\$ -</u>   | <u>\$ 47,822</u>                     |

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2013

|  | Special Revenue<br>Funds |                    | Total Other<br>Governmental<br>Funds |
|--|--------------------------|--------------------|--------------------------------------|
|  | Liquid Fuels<br>Fund     | Super<br>Fund      |                                      |
| <b>Revenues:</b>   |                          |                    |                                      |
| Intergovernmental  | \$ 174,710               | \$ -               | \$ 174,710                           |
| Interest, rent, and royalties                            | 140                      | -                  | 140                                  |
| Total revenues   | 174,850                  | -                  | 174,850                              |
| <b>Expenditures:</b>                                     |                          |                    |                                      |
| Current:   |                          |                    |                                      |
| Public works:  |                          |                    |                                      |
| Highway maintenance - cleaning of streets                | -                        | -                  | -                                    |
| Highway maintenance - snow and ice removal               | 60,917                   | -                  | 60,917                               |
| Highway maintenance - traffic signals, signs             | 9,927                    | -                  | 9,927                                |
| Highway maintenance - street lighting                    | 96,023                   | -                  | 96,023                               |
| Highway maintenance - other                              | 32                       | -                  | 32                                   |
| Capital outlay   | -                        | -                  | -                                    |
| Total expenditures                                       | 166,899                  | -                  | 166,899                              |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>7,951</b>             | <b>-</b>           | <b>7,951</b>                         |
| <b>Other Financing Sources (Uses):</b>                   |                          |                    |                                      |
| Transfers in   | 14,468                   | -                  | 14,468                               |
| Transfers out  | (752)                    | (3,439,832)        | (3,440,584)                          |
| Total other financing sources (uses)                     | 13,716                   | (3,439,832)        | (3,426,116)                          |
| <b>Net Change in Fund Balance</b>                        | <b>21,667</b>            | <b>(3,439,832)</b> | <b>(3,418,165)</b>                   |
| <b>Fund Balance:</b>                                     |                          |                    |                                      |
| Beginning of year  | 17,502                   | 3,439,832          | 3,457,334                            |
| End of year  | \$ 39,169                | \$ -               | \$ 39,169                            |



# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2013

|  | Liquid Fuels             |                             |                               | Super Fund               |                             |                               |
|--|--------------------------|-----------------------------|-------------------------------|--------------------------|-----------------------------|-------------------------------|
|  | Budget<br>Original/Final | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget | Budget<br>Original/Final | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget |
| <b>Revenues:</b>   |                          |                             |                               |                          |                             |                               |
| Intergovernmental  | \$ 174,421               | \$ 174,710                  | \$ 289                        | \$ -                     | \$ -                        | \$ -                          |
| Interest, rent, and royalties                                | 25                       | 140                         | 115                           | -                        | -                           | -                             |
| Total revenues   | <u>174,446</u>           | <u>174,850</u>              | <u>404</u>                    | <u>-</u>                 | <u>-</u>                    | <u>-</u>                      |
| <b>Expenditures:</b>   |                          |                             |                               |                          |                             |                               |
| Current:   |                          |                             |                               |                          |                             |                               |
| Public works   | 189,525                  | 167,223                     | 22,302                        | -                        | -                           | -                             |
| Capital outlay   | -                        | -                           | -                             | -                        | -                           | -                             |
| Total expenditures   | <u>189,525</u>           | <u>167,223</u>              | <u>22,302</u>                 | <u>-</u>                 | <u>-</u>                    | <u>-</u>                      |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>(15,079)</u>          | <u>7,627</u>                | <u>22,706</u>                 | <u>-</u>                 | <u>-</u>                    | <u>-</u>                      |
| <b>Other Financing (Sources) Uses:</b>                       |                          |                             |                               |                          |                             |                               |
| Transfers out  | (22,900)                 | -                           | 22,900                        | -                        | (3,439,832)                 | (3,439,832)                   |
| <b>Net Change in Fund Balance</b>                            | <u>\$ (37,979)</u>       | <u>\$ 7,627</u>             | <u>\$ 45,606</u>              | <u>\$ -</u>              | <u>\$ (3,439,832)</u>       | <u>\$ (3,439,832)</u>         |