

# **Borough of White Oak**

## Financial Statements and Required Supplementary and Supplementary Information

Year Ended December 31, 2014  
with Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# **BOROUGH OF WHITE OAK**

YEAR ENDED DECEMBER 31, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary activity of the Borough as of December 31, 2014, 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 46 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *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 Capital Debt Fund budgetary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Capital Debt Fund budgetary information is the responsibility of management and was 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  
November 13, 2015

This section of the Borough of White Oak's (Borough) financial statements presents a narrative overview and analysis of the Borough's financial performance for the fiscal year ended December 31, 2014. 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, 2014. The Management's Discussion and Analysis provides a comparative analysis between 2014 and 2013 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, 2014

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## 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, 2014 was \$9,721,613, of which \$6,135,499 is net investment in capital assets. Capital assets account for approximately 60.4% of the Borough total assets of \$10,116,561. The remainder of the Borough's assets includes cash and cash equivalents and receivables.

The Borough's 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 total liabilities are \$394,948 as of December 31, 2014 and consist of long-term debt, accounts payable, and other accrued liabilities. At December 31, 2013, the Borough's total liabilities are \$535,224 and consist of long-term debt, accounts payable, and other accrued liabilities.

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, 2012, 2013, and 2014, 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 associated with this ongoing project. In 2013, the Borough had engineering expenses associated with a community center project totaling \$12,051, and \$32,283 in 2014.

In December 2011, the Borough did receive written confirmation from the Commonwealth of Pennsylvania Department of Conservation and Natural Resources (DCNR) that a \$500,000 matching grant has been awarded to the Borough. At this time, the Borough has not made a

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2014

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:

Upgrade to Solid Waste Software	Solid Waste	4,975.00
CUP Monitor (New)	Solid Waste	1,778.00
Chlorine Pump	Pool	1,700.00
Tax Billing Software	Solid Waste	4,550.00
CUP Monitor (New)	Police	725.00
AR-15 Assault Rifle	Police	1,088.80
Radio Mount	Police	761.40
Police Cruiser	Police	33,536.00
<b>TOTAL COSTS</b>		<b>49,114.20</b>

Infrastructure

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

1-14	CB – 3000 Capitol	4,076.88
2-14	Guide Rail – Carl Alley	1,105.36
3-14	CB – 235 Cool Springs	2,624.20
4-14	CB - California @ Capitol	2,104.72
5-14	Storm Sewer – 1601 Vermont	2,689.92
6-14	Storm Sewer – Fawcett @ Haller	2,676.68
7-14	Storm Sewer – Stepanik	1,647.76
8-14	CB – Oliver @ Pleasant	1,876.72
9-14	Storm Sewer – Oakview	22,748.52
<b>TOTAL COSTS</b>		<b>41,350.76</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.

Note that the Uniformed Pension Plan, Non-Uniformed Pension Plan, and retired Employee Benefit Fund are not included in the Net Asset Value, as they are considered “trust arrangements” which fall under the category of fiduciary funds. Fiduciary funds are not reported in the government-wide statements, because they account for assets not belonging to the government. The total combined net position of these funds is \$7,339,790 at December 31, 2014, \$6,813,182 at December 31, 2013, \$6,528,604 at December 31, 2012, and \$5,884,704 at December 31, 2011. (Page 15 of Report)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2014

OTHER FINANCIAL HIGHLIGHTS

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

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

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.

**Fund Statements – Page 5 of Report**

For the year ending December 31, 2014, real estate and other taxes (EIT, BP, MT, RAD) account for the majority of the Borough revenues (93.8%). Without the RAD and Miscellaneous Taxes being included, that percent is reduced to 83.4%. For the year ending December 31, 2013, real estate and other taxes (EIT, BP, MT, RAD) account for the majority of the Borough's revenues (85.0%). Without the RAD and Miscellaneous Taxes being included that percent is reduced to 80.33%.

**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, 2014 was \$393,467,097.

	2010	2011	2012	2013	2014
Assessed Value 12/31	\$336,655,388	\$330,443,463	\$338,761,618	\$391,707,107	\$395,559,307
Purpose					
General	4.16	5.66	5.66	4.66	4.66
Fire	0.00	0.00	0.00	0.00	0.00
Total	4.16	5.66	5.66	4.66	4.66
Face Value of Statement	\$1,400,486	\$1,870,310	\$1,917,390	\$1,825,355.	\$1,843,306.

The taxable assessed value shows an increase from 1/1/2014 to 12/31/2014 of \$395,559,307, which represents an increase of \$9,749 real estate taxes. The taxable assessed value shows a decrease from 1/1/2013 to 12/31/2013 of \$14,545,501, which represents a decrease of \$67,824.

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

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

December 31, 2014

The Borough turned over a total of \$109,435 for 2013 and \$94,466 for 2014 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 2014 median value of a residential home within White Oak Borough remained the same as the 2013 median value of a residential home within White Oak Borough was \$79,800. This value is listed on the Allegheny County Website – Municipal Map, Community Profile Page.

Based on 2014 median value, property owners would pay the following in real estate taxes at face. The Borough tax levy remained the same from 2013 to 2014.

Taxing Jurisdiction	2012	2013	2014
County (12-5.69) (13 4.73) (14-4.73)	\$433.58	\$377.45	\$377.45
Borough (12-5.66) (13 4.66) (14-4.66)	431.30	371.76	371.76
School District (12-17.49) (13-15.22) (14-15.7)	1,332.74	1,214.56	1,252.86
<b>TOTAL</b>	<b>\$2,197.62</b>	<b>\$1,963.76</b>	<b>\$2,002.01</b>

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**

**2014**

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

**2013**

Fund Name	Expenses	Revenues	+/- 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

As of December 31, 2014, the Pool/Park Fund contains a due to the General Fund. That amount is \$259,069 and is for payroll expenditures. It is suggested that the Borough consider writing off this balance, which represents four (4) years of unreimbursed payroll expenses. There is also a net due to General Fund from Solid Waste \$22,999. It is suggested the Borough consider a motion to physically transfer this amount from Solid Waste to the General Fund.

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

December 31, 2014

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

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

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

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

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

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

## Capital Assets - Pages 30/31 of Report

The Borough's capital assets as of December 31, 2014, net of accumulated depreciation, amounted to \$6,179,671. The Borough's capital assets as of December 31, 2013, net of accumulated depreciation, amounted to \$6,393,485. Capital assets consist primarily of land, buildings, machinery and equipment, and infrastructure. Detailed information concerning capital assets can be found in Note 4 of the financial statements.

## Capital Leases

In 2014, the Borough did not enter into any new commercial capital leases.

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

In 2014, the Borough did not take on any additional long or short term debt.

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

Loan	Issue Date	Original Value	Interest Rate	Term (Years)	Maturity Date	Principal Balance as of 12/14	Interest as of 12/14	Total Principal & Interest Due
WO#1 – fire truck	Oct 03	\$150,000	2.00	15 years	Aug 2016	\$18,337	\$313	\$18,650
WOB Aim Loan	April 10	108,666	1.79	5 years	April 2015	21,733	389	22,122
WOB PIB Loan	March 10	108,666	1.625	5 years	March 2015	22,439	365	22,804
<b>TOTAL</b>						<b>\$ 62,509</b>	<b>\$1,067</b>	<b>\$63,576</b>

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

The balance of \$18,650 (principal and interest) was secured by the Borough for the purchase of fire equipment for White Oak V.F.C. #1. Over the last two (2) years White Oak #1 was able to secured debt reduction grants. Those proceeds were used to pay down principal on this loan reducing the date for final payment from November 2018 to being paid off in August 2016.

The total outstanding debt (loans and compensated absences), in the amount of \$266,701 as of December 31, 2014 represents a small per household burden of \$73.86 (3,611 occupied units,

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

December 31, 2014

2010 census). This also represents a small per capita burden of \$34.80 (7,663 in households – 2010 Census). Detailed information about the Borough's outstanding debt can be found in Note 6 of the financial statements. Note: 2010 Census indicates there are 3,888 housing units in the Borough, of which 277 are vacant.

The total outstanding debt (loans and compensated absences), in the amount of \$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.

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

## *Rainbow V.F.C.*

Secured a 2% loan through PEMA for \$100,000 in November 2001. The loan matures in November 2016. The outstanding principal as of December 31, 2014 is \$14,508.75 with outstanding interest of \$291.94.

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, 2014 is \$62,926.01 with outstanding interest of \$7,735.91.

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

Secured a 2% loan through PEMA for \$150,000 in November 2003. The loan matures in November 2018 but due to WO #1 securing several debt reduction grants the loan will now mature in 2016. The outstanding principal as of December 31, 2014 is \$18,337 with outstanding interest of \$313.

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

## **Fiduciary Funds**

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.

December 31, 2014

**Non-Uniformed Pension**

	2013	2014
Beginning Balance* (Cash)	\$1,907,067	1,805,104
<b>REVENUES</b>		
Interest Income**	63,353	59,664
Unrealized Gains/Losses	27,640	38,471
Foreign Casualty Ins.	46,612	38,727
MMO	60,425	64,358
Employee Contributions	17,847	14,909
Total Revenues	215,877	216,129
<b>EXPENDITURES</b>		
Administration Fees (Principal & Mockenhaupt) and Investment Expenses	14,349	13,043
Pension Benefits – Monthly	21,567	34,891
Pension – Refund Employee Contri	0	0
Pension Benefits-Lump Sum	281,924	0
Total Expenditures	317,840	168,195
Ending Balance***	1,805,104	1,973,299
Net Fund Balance	-101,963	168,195
MMO Requirement	107,037	103,085
Per Unit Stock Value 1/1 Per Share	17.9245381	31.3107602
Total All Shares 5,657.30 1/1	101,404	177,134
Per Unit Stock Value 12/31	31.3107602	33.7248659
Total All Shares 5,657.30 12/31	177,134	190,791

Balance as of December 31, 2014 in General Investment was \$1,781,231, while the year-end balance in the value of the Principal Financial Group Stock Account was \$190,792.

Balance as of January 1, 2014 is comprised of funds assigned to investment with a guaranteed rate of return or minimal risk factor. That value is \$1,553,743. Value of the stock at the beginning of 2013 was \$177,134.

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

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2014

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.

Additional Notes:

The Non-Uniformed Pension Plan had an allocated balance of \$360,174 for retirees/non-retired participants at the beginning of 2014 and \$393,457 for retirees/non-retired participants at the end of 2014. The statement for this fund does not provide a breakdown of interest income earned between the allocated and unallocated balances. The non-allocated balance at the beginning of 2014 was \$1,193,569 and at the end of 2014 was \$1,293,558.

The 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 \$103,086 for 2014. Therefore, the Borough was required to contribute \$64,358 under the MMO.

**Uniformed Pension Plan**

	2013	2014
Beginning Balance* (Cash)	\$4,098,194	4,733,424.
REVENUES		
Interest Income**	189,015	181,904
Unrealized Gains/Losses	176,783	141,765
Foreign Casualty Ins.	85,456	77,454
MMO	90,325	89,788
Employee Contributions	42,391	48,167
Total Revenues	583,970	323,669
EXPENDITURES		
Administration Fees (Principal & Mockenhaupt)	13,836	19,507
Pension Benefits	247,227	207,248
Total Expenditures	261,063	226,755
Ending Balance****	4,421,101	4,733,424
Net Fund Balance	\$322,907	312,323
MMO Requirement	\$175,781	\$167,242
Per Unit Stock Value 1/1 Per Share	17.9245381	31.3107602



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2014

Total All Shares 19,010.6 1/1	340,935	595,236
Per Unit Stock Value 12/31	31.3107602	33.7248659
Total All Shares 19,010.6 12/31	595,236	641,129

Balance as of December 31, 2014 in General Investment was \$4,086,694, while the year-end balance in the value of the Principal Financial Group Stock Account was \$641,130.

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

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

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.

Additional Notes:

The Uniformed Pension Plan had an allocated balance \$1,054,193 for retiree participants at the beginning of 2014 and at the end of 2014 the allocated balance for retiree participants is \$1,484,026. The statement for this fund does not provide a breakdown of interest income earned between the allocated and unallocated balances. The non-allocated balance at the beginning of 2014 was \$3,222,122 and at the end of the year the non-allocated balance was \$3,357,125.

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

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 \$3,078,362 and at the end of the year the non-allocated balance was \$3,222,122.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2014

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.

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*

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

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

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

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

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

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

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

(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	2013	2014
Beginning Balance		
Checking	\$523,343	\$586,977
Due from GF		
Total Beginning Balance	523,3423	586,977
ARC * Transfer	68,104	45,757

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR BOROUGH OF WHITE OAK

December 31, 2014

Interest Income	680	354
Total Revenues	68,784	46,111
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		
Administrative Expenses	3,105	21
Total Expenditures	5,105	21
Due to General Fund	4,087	
Total Expenditures & Liabilities	9,192	21
Net Fund Balance	\$582,935	633,067

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, 2014, current and retired employees have a combined assets value of \$333,262.

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, 2014 are \$350,050 and \$984,406, 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.

December 31, 2014

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*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, 2014

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,670,494	\$ 200,958	\$ 2,871,452
Receivables:			
Taxes	564,301	-	564,301
Other, net of allowance for doubtful accounts of \$53,285	17,945	301,947	319,892
Prepaid expenses	42,805	-	42,805
Internal balances	282,068	(282,068)	-
Net pension asset	67,441	-	67,441
Net OPEB asset	70,999	-	70,999
Capital assets, not being depreciated	791,148	50,000	841,148
Capital assets, net of accumulated depreciation	4,998,600	339,923	5,338,523
<b>Total Assets</b>	<b>9,505,801</b>	<b>610,760</b>	<b>10,116,561</b>
<b>Liabilities</b>			
Liabilities:			
Accounts payable and other current liabilities	35,440	41,276	76,716
Accrued liabilities	51,531	-	51,531
Non-current liabilities:			
Due within one year	54,982	-	54,982
Due in more than one year	211,719	-	211,719
<b>Total Liabilities</b>	<b>353,672</b>	<b>41,276</b>	<b>394,948</b>
<b>Net Position</b>			
Net investment in capital assets	5,745,576	389,923	6,135,499
Restricted for:			
Liquid fuels	53,348	-	53,348
Unrestricted	3,353,205	179,561	3,532,766
<b>Total Net Position</b>	<b>\$ 9,152,129</b>	<b>\$ 569,484</b>	<b>\$ 9,721,613</b>

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

# BOROUGH OF WHITE OAK

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 629,549	\$ 84,577	\$ 153,359	\$ -	\$ (391,613)	\$ -	\$ (391,613)
Public safety	2,074,674	72,384	143,112	-	(1,859,178)	-	(1,859,178)
Public works	856,027	3,423	189,131	-	(663,473)	-	(663,473)
Culture and recreation	72,284	560	472	-	(71,252)	-	(71,252)
Interest on long-term debt	2,483	-	-	-	(2,483)	-	(2,483)
Total governmental activities	3,635,017	160,944	486,074	-	(2,987,999)	-	(2,987,999)
Business-type activities:							
Solid waste services	586,297	656,281	-	-	-	69,984	69,984
Recreation	14,848	12,885	-	-	-	(1,963)	(1,963)
Heritage Hill Park	161,313	85,374	-	-	-	(75,939)	(75,939)
Total business-type activities	762,458	754,540	-	-	-	(7,918)	(7,918)
<b>Total Primary Government</b>	<b>\$ 4,397,475</b>	<b>\$ 915,484</b>	<b>\$ 486,074</b>	<b>\$ -</b>	<b>(2,987,999)</b>	<b>(7,918)</b>	<b>(2,995,917)</b>
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					1,813,842	-	1,813,842
Earned income tax					809,275	-	809,275
Business privilege tax					215,135	-	215,135
RAD sales tax					212,424	-	212,424
Other taxes levied for general purposes					140,975	-	140,975
Investment earnings					1,586	-	1,586
Franchise fees					199,032	-	199,032
Gain (disposal) on sale/transfer of fixed assets					11,000	-	11,000
Transfers					56,000	(56,000)	-
Total general revenues and transfers					3,459,269	(56,000)	3,403,269
<b>Change in Net Position</b>					471,270	(63,918)	407,352
<b>Net Position:</b>							
Beginning of year					8,680,859	633,402	9,314,261
End of year					\$ 9,152,129	\$ 569,484	\$ 9,721,613

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

# BOROUGH OF WHITE OAK

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	General Fund	Liquid Fuels Fund	Capital Projects Fund	Other Governmental Fund - Capital Debt Fund	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,574,084	\$ 112,004	\$ 984,406	\$ -	\$ 2,670,494
Receivables (net, where applicable, of allowance for uncollectibles):					
Taxes	564,301	-	-	-	564,301
Other	17,945	-	-	-	17,945
Prepays	42,805	-	-	-	42,805
Due from other funds	392,605	-	-	-	392,605
<b>Total Assets</b>	<b>\$ 2,591,740</b>	<b>\$ 112,004</b>	<b>\$ 984,406</b>	<b>\$ -</b>	<b>\$ 3,688,150</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 27,147	\$ 8,293	\$ -	\$ -	\$ 35,440
Accrued liabilities	51,531	-	-	-	51,531
Due to other funds	60,174	50,363	-	-	110,537
Total Liabilities	138,852	58,656	-	-	197,508
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - taxes	138,725	-	-	-	138,725
<b>Fund Balance:</b>					
Non-spendable	42,805	-	-	-	42,805
Restricted:					
Liquid fuels	-	53,348	-	-	53,348
Assigned:					
Fire protection	350,050	-	-	-	350,050
Capital projects	-	-	984,406	-	984,406
Unassigned	1,921,308	-	-	-	1,921,308
Total Fund Balance	2,314,163	53,348	984,406	-	3,351,917
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 2,591,740</b>	<b>\$ 112,004</b>	<b>\$ 984,406</b>	<b>\$ -</b>	<b>\$ 3,688,150</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, 2014

**Total Fund Balance - Governmental Funds** \$ 3,351,917

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 \$9,312,820 and the accumulated depreciation is \$3,523,072. 5,789,748

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. 138,725

The net pension asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds. 67,441

The net OPEB asset is not a financial resource and, therefore, it is not reported as an asset in governmental funds. 70,999

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	\$	(62,509)	
Compensated absences		(204,192)	(266,701)

**Total Net Position - Governmental Activities** \$ 9,152,129

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, 2014

	General Fund	Liquid Fuels Fund	Capital Projects Fund	Other Governmental Fund - Capital Debt Fund	Total
<b>Revenues:</b>					
Taxes	\$ 3,275,713	\$ -	\$ -	\$ -	\$ 3,275,713
Licenses and permits	240,766	-	-	-	240,766
Fines and forfeits	23,630	-	-	-	23,630
Intergovernmental	189,029	189,131	-	-	378,160
Charges for services	95,580	-	-	-	95,580
Interest, rents, and royalties	1,052	29	505	-	1,586
Miscellaneous	118,914	-	-	-	118,914
<b>Total revenues</b>	<b>3,944,684</b>	<b>189,160</b>	<b>505</b>	<b>-</b>	<b>4,134,349</b>
<b>Expenditures:</b>					
Current:					
General government	414,998	-	-	-	414,998
Public safety	1,899,249	-	-	-	1,899,249
Public works	667,395	174,981	-	-	842,376
Culture and recreation	104,566	-	-	-	104,566
Miscellaneous	177,023	-	-	-	177,023
Capital outlay	-	-	19,901	-	19,901
Debt service:					
Principal	35,089	-	-	43,814	78,903
Interest	982	-	-	1,501	2,483
<b>Total expenditures</b>	<b>3,299,302</b>	<b>174,981</b>	<b>19,901</b>	<b>45,315</b>	<b>3,539,499</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>645,382</b>	<b>14,179</b>	<b>(19,396)</b>	<b>(45,315)</b>	<b>594,850</b>
<b>Other Financing Sources (Uses):</b>					
Transfers in	111,000	-	165,000	45,315	321,315
Transfers out	(242,511)	-	(22,804)	-	(265,315)
<b>Total other financing sources (uses)</b>	<b>(131,511)</b>	<b>-</b>	<b>142,196</b>	<b>45,315</b>	<b>56,000</b>
<b>Net Change in Fund Balance</b>	<b>513,871</b>	<b>14,179</b>	<b>122,800</b>	<b>-</b>	<b>650,850</b>
<b>Fund Balance:</b>					
Beginning of year	1,800,292	39,169	861,606	-	2,701,067
End of year	\$ 2,314,163	\$ 53,348	\$ 984,406	\$ -	\$ 3,351,917

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, 2014

**Net Change in Fund Balance - Governmental Funds** \$ 650,850

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	\$ 90,601	
Less: depreciation expense, net of deletions	<u>(265,102)</u>	(174,501)

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. (84,062)

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. 78,903

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. (6,343)

Governmental funds do not report the net OPEB assets, as they are not considered a financial resource. The net OPEB asset was decreased by this amount during the year. (3,473)

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. 9,896

**Change in Net Position of Governmental Activities** \$ 471,270

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, 2014

	Budget	Actual (Budgetary Basis)	Variance with Budget
<b>Revenues:</b>			
Taxes	\$ 3,154,347	\$ 3,168,993	\$ 14,646
Licenses and permits	179,745	240,766	61,021
Fines and forfeits	15,800	23,630	7,830
Intergovernmental	5,300	189,029	183,729
Charges for services	25,650	104,785	79,135
Interest, rents, and royalties	758	1,052	294
Miscellaneous	38,900	118,914	80,014
Total revenues	3,420,500	3,847,169	426,669
<b>Expenditures:</b>			
Current:			
General government	474,118	497,181	(23,063)
Public safety	2,017,165	1,894,264	122,901
Public works	781,018	667,395	113,623
Culture and recreation	116,220	104,566	11,654
Conservation and development	1,500	-	1,500
Miscellaneous	18,600	177,023	(158,423)
Debt service:			
Principal	10,596	35,089	(24,493)
Interest	1,358	982	376
Total expenditures	3,420,575	3,376,500	44,075
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(75)</b>	<b>470,669</b>	<b>470,744</b>
<b>Other Financing Sources (Uses):</b>			
Sale of capital assets	-	11,000	11,000
Transfers in	56,000	-	(56,000)
Transfers out	(90,000)	(270,097)	(180,097)
Total other financing sources (uses)	(34,000)	(270,097)	(225,097)
<b>Net Change in Fund Balance</b>	<b>\$ (34,075)</b>	<b>\$ 200,572</b>	<b>\$ 245,647</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 LIQUID FUELS FUND - BUDGETARY BASIS

YEAR ENDED DECEMBER 31, 2014

	Budget Original/Final	Actual (Budgetary Basis)	Variance with Final Budget
<b>Revenues:</b>			
Intergovernmental	\$ 168,976	\$ 189,131	\$ 20,155
Interest, rent, and royalties	75	29	(46)
Total revenues	<u>169,051</u>	<u>189,160</u>	<u>20,109</u>
<b>Expenditures:</b>			
Current:			
Public works	<u>170,100</u>	<u>124,978</u>	<u>45,122</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,049)</u>	<u>64,182</u>	<u>65,231</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,049)</u>	<u>\$ 64,182</u>	<u>\$ 65,231</u>

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

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2014

	Budget	Actual (Budgetary Basis)	Variance with Budget
<b>Revenues:</b>			
Interest, rent, and royalties	\$ 1,100	\$ 505	\$ (595)
Miscellaneous	-	-	-
Total revenues	1,100	505	(595)
<b>Expenditures:</b>			
Capital outlay	-	19,901	(19,901)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>			
	1,100	(19,396)	(20,496)
<b>Other Financing (Sources) Uses:</b>			
Transfers in	165,000	165,000	-
Transfer out	-	(22,804)	(22,804)
<b>Net Change in Fund Balance</b>	\$ 166,100	\$ 122,800	\$ (43,300)

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

# BOROUGH OF WHITE OAK

## STATEMENT OF NET POSITION PROPRIETARY FUND

DECEMBER 31, 2014

Assets	Business-Type Activities - Enterprise Funds			
	Major Funds		Recreation Fund	Total
	Swimming Pool Fund	Solid Waste Disposal Fund		
Current assets:				
Cash and cash equivalents	\$ 97,368	\$ 100,895	\$ 2,695	\$ 200,958
Receivables:				
Other, net of allowance for doubtful accounts of \$53,285	-	301,947	-	301,947
Due from other funds	-	60,174	-	60,174
Total current assets	97,368	463,016	2,695	563,079
Non-current assets:				
Capital assets	1,252,401	120,030	-	1,372,431
Less accumulated depreciation	(879,165)	(103,343)	-	(982,508)
Total non-current assets	373,236	16,687	-	389,923
<b>Total Assets</b>	470,604	479,703	2,695	953,002
<b>Liabilities</b>				
Liabilities:				
Accounts payable and other current liabilities	42	41,234	-	41,276
Due to other funds	259,069	83,173	-	342,242
<b>Total Liabilities</b>	259,111	124,407	-	383,518
<b>Net Position</b>				
Net investment in capital assets	373,236	16,687	-	389,923
Unrestricted	(161,743)	338,609	2,695	179,561
<b>Total Net Position</b>	\$ 211,493	\$ 355,296	\$ 2,695	\$ 569,484

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, 2014

	Business-Type Activities - Enterprise Funds			
	Major Funds			Total
	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	
<b>Operating Revenues:</b>				
Charges for services	\$ 80,074	\$ 651,892	\$ 9,932	\$ 741,898
Other operating revenue	5,300	4,653	2,953	12,906
Total operating revenues	85,374	656,545	12,885	754,804
<b>Operating Expenses:</b>				
Employee services	61,550	-	-	61,550
Employee benefits and taxes	11,440	-	-	11,440
Purchase of services	-	576,233	4,600	580,833
Operating material and supplies	19,017	-	5,376	24,393
Administrative expenses	38,357	-	4,872	43,229
Depreciation and amortization	30,949	10,064	-	41,013
Total operating expenses	161,313	586,297	14,848	762,458
Net Operating Gain (Loss)	(75,939)	70,248	(1,963)	(7,654)
<b>Nonoperating Revenues (Expenses):</b>				
Transfers out	-	(56,000)	-	(56,000)
Refund of prior year fees	-	(264)	-	(264)
Total nonoperating revenues (expenses)	-	(56,264)	-	(56,264)
Change in Net Position	(75,939)	13,984	(1,963)	(63,918)
<b>Net Position:</b>				
Beginning of year	287,432	341,312	4,658	633,402
End of year	\$ 211,493	\$ 355,296	\$ 2,695	\$ 569,484

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, 2014

	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers	\$ 80,074	\$ 587,734	\$ 9,932	\$ 677,740
Receipt of other revenues	5,300	-	2,953	8,253
Other receipts	67,219	-	-	67,219
Payments to employees	(72,990)	-	-	(72,990)
Payments to suppliers	(57,374)	(571,953)	(14,848)	(644,175)
Net cash provided by (used in) operating activities	22,229	15,781	(1,963)	36,047
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Interfund transfers	-	(56,000)	-	(56,000)
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Capital expenditures	(1,700)	-	-	(1,700)
<b>Cash Flows From Investing Activities:</b>				
Miscellaneous	-	(264)	-	(264)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	20,529	(40,483)	(1,963)	(21,917)
<b>Cash and Cash Equivalents:</b>				
Beginning of year	76,839	141,378	4,658	222,875
End of year	\$ 97,368	\$ 100,895	\$ 2,695	\$ 200,958

(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, 2014

	Swimming Pool Fund	Solid Waste Disposal Fund	Recreation Fund	Total
<b>Reconciliation of Net Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>				
Net operating gain (loss)	\$ (75,939)	\$ 70,248	\$ (1,963)	\$ (7,654)
Adjustments to reconcile net operating gain (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	30,949	10,064	-	41,013
Change in assets and liabilities:				
Due to other funds	67,219	4,305	-	71,524
Other receivables	-	(68,811)	-	(68,811)
Accounts payable	-	(25)	-	(25)
Total adjustments	98,168	(54,467)	-	43,701
Net cash provided by (used in) operating activities	\$ 22,229	\$ 15,781	\$ (1,963)	\$ 36,047

(Concluded)

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

# BOROUGH OF WHITE OAK

## COMBINED STATEMENT OF PLAN NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2014

Assets	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
Receivables	\$ 1,276	\$ 5,600	\$ -	\$ 6,876
Investments (at fair value):				
Cash and cash equivalents	-	-	633,067	633,067
Common stock	190,792	641,130	-	831,922
General investment account	1,781,231	4,086,694	-	5,867,925
Total investments	1,972,023	4,727,824	633,067	7,332,914
<b>Total Assets</b>	1,973,299	4,733,424	633,067	7,339,790
<b>Liabilities</b>	-	-	-	-
<b>Net Position Restricted For</b>				
Pension benefits	\$ 1,973,299	\$ 4,733,424	\$ 633,067	\$ 7,339,790

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, 2014

	Non-Uniformed Pension Fund	Police Pension Fund	Retired Employee Benefit Fund	Total
<b>Additions:</b>				
Contributions:				
Commonwealth	\$ 38,727	\$ 77,454	\$ -	\$ 116,181
Employer	64,358	89,788	45,757	199,903
Employee	14,909	48,167	-	63,076
Total contributions	117,994	215,409	45,757	379,160
Investment income (loss):				
Net appreciation in fair value of investments	38,471	141,765	-	180,236
Interest and dividends	59,664	181,904	354	241,922
Total investment income (loss)	98,135	323,669	354	422,158
Total additions	216,129	539,078	46,111	801,318
<b>Deductions:</b>				
Benefits	34,891	207,248	-	242,139
Investment expense	7,860	12,986	-	20,846
Administrative expense	5,183	6,521	21	11,725
Total deductions	47,934	226,755	21	274,710
<b>Net Increase (Decrease) in Plan Net Position</b>	168,195	312,323	46,090	526,608
<b>Net Position:</b>				
Beginning of year	1,805,104	4,421,101	586,977	6,813,182
End of year	\$ 1,973,299	\$ 4,733,424	\$ 633,067	\$ 7,339,790

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

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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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, 2014**

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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.

### Liquid Fuels Fund

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

### Capital Projects Fund

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

# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

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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:

### Capital Debt Fund

The Capital Debt Fund was 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 2014, this fund only represents the debt service activity for the Borough.

The Borough has the following fiduciary funds:

### Fiduciary Funds

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

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

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### 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 by the Borough's Secretary or the revenue estimates must be changed by an affirmative vote of a majority of the Borough's Council.

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

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

For 2014, 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, 2014:

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 200,572
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Adjustments:

To adjust revenues and other financing sources to the modified accrual basis	208,515
To adjust expenditures and other financing uses to the modified accrual basis	<u>104,784</u>

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u><u>\$ 513,871</u></u>
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The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Liquid Fuels Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2014:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 64,182
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Adjustments:

To adjust revenues and other financing sources to the modified accrual basis	-
To adjust expenditures and other financing uses to the modified accrual basis	<u>(50,003)</u>

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u><u>\$ 14,179</u></u>
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The following is a reconciliation of the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses for the Capital Projects Fund between the budgetary basis to the GAAP Basis for the year ended December 31, 2014:

Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 122,800
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Adjustments:

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

Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u><u>\$ 122,800</u></u>
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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

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### Expenditures in Excess of Appropriations

In the General Fund, the general government, miscellaneous expenditures and debt service principal exceeded the appropriation. The excess expenditures were funded by intergovernmental revenue received in 2014.

In the Capital Project Fund, the capital outlay 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.”

### 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 \$53,285. 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.

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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### Capital Assets

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

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

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

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

### 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

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

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on or after January 1, 2009, upon normal retirement, the accumulated sick days will be paid at \$50 per day up to a maximum of 150 accumulated sick days.

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

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

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 \$204,192 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, 2014.

### Fund Balance

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

#### Non-spendable

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

#### Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors,

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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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.

### 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.

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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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.
- 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

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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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. 67, "*Financial Reporting for Pension Plans.*" This statement revises existing guidance for the financial reports of most pension plans, and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Borough's financial disclosures were updated to reflect this pronouncement (see Note 7 and Required Supplementary Information).

The Borough has adopted GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations.*" This statement provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. This statement did not affect the financial statements of the Borough.

The Borough has adopted GASB No. 70, "*Accounting and Financial Reporting for Non-exchange Financial Guarantees.*" 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. This statement did not affect the financial statements of the Borough.

### Pending Pronouncements

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

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions,*" effective for fiscal years beginning after June 15, 2014 (the Borough's December 31, 2015 financial statements) and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date,*" effective for fiscal years beginning after June 15, 2014 (the Borough's December 31, 2015 financial statements). These statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirements for most governments that provide their employees with pension benefits.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

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

GASB Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,”* effective for fiscal years beginning after June 15, 2016 (the Borough’s financial statements for the year ending December 31, 2017). This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement replaces Statement No. 43.

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

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

GASB Statement No. 77 *“Tax Abatement Disclosures,”* effective for fiscal years beginning after December 15, 2015 (December 31, 2016 year-end). This statement establishes

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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financial reporting standards for tax abatement agreements entered into by state and local governments.

### 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, 2014, \$2,469,341 of the Borough's bank balance of \$2,972,314 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$2,871,452 as of December 31, 2014.

**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, 2014, the Borough does not have any investments exposed to credit risk.

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2014

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Pension Trust Fund investments are held separately from those of other Borough funds. Currently, \$5,867,925 of these investments is pooled in a general investment account through Principal Financial Group. Funds are invested in a portfolio that consists of intermediate term, fixed income investments, such as public and private corporate bonds, fixed income investments, such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and U.S. government and agency-backed securities. These investments are carried at fair value. Principal Financial Group indicates from the general investment account an average effective maturity of 6.99 years and, therefore, they are subject to interest rate risk. 97% of these proprietary investments have external ratings of BBB or better. Custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments. To reduce investment risks, Principal Financial Group invests assets in a diversified portfolio. At December 31, 2014, the Borough also had Principal Financial common stock totaling \$831,922 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 \$633,067. The entire balance was exposed to custodial credit risk at December 31, 2014.

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 2014 tax ordinance. The taxable assessed value for 2014 real estate taxes was \$395,559,307, which is approximately 100% of the fair market value and reflects a reassessment conducted by Allegheny County.

Real estate taxes are based on assessed valuations provided by Allegheny County (County) and are levied on April 1. These taxes are billed and collected by an elected tax collector. Taxes paid through May 31 are given a 2% discount. Amounts paid after July 31 are assessed a 10% penalty. Any uncollected balances at January 31, 2015 were turned over for collection to an outside service.

The property tax calendar for 2014 was as follows:

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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2014 Millage rate adopted	December 16, 2013
2014 Bills dated	April 1, 2014
2014 Two percent discount period ended	May 31, 2014
2014 Penalty period began	August 1, 2014

### 4. CAPITAL ASSETS

A summary of changes in capital assets during fiscal year 2014 is as follows:

	Balance at January 1, 2014	Additions	(Deletions)	Balance at December 31, 2014
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 758,866	\$ -	\$ -	\$ 758,866
Construction in progress	-	32,282	-	32,282
	<u>758,866</u>	<u>32,282</u>	<u>-</u>	<u>791,148</u>
Capital assets, being depreciated:				
Buildings	1,483,881	13,118	(735)	1,496,264
Land improvements	128,863	-	-	128,863
Equipment and vehicles	1,757,608	34,297	(29,913)	1,761,992
Infrastructure	5,093,001	41,552	-	5,134,553
	<u>8,463,353</u>	<u>88,967</u>	<u>(30,648)</u>	<u>8,521,672</u>
Less accumulated depreciation for:				
Buildings	(1,238,024)	(10,165)	74	(1,248,115)
Land improvements	(133,737)	(2,515)	-	(136,252)
Equipment and vehicles	(1,316,129)	(104,902)	-	(1,421,031)
Infrastructure	(570,080)	(171,898)	24,304	(717,674)
Total accumulated depreciation	<u>(3,257,970)</u>	<u>(289,480)</u>	<u>24,378</u>	<u>(3,523,072)</u>
Governmental activities				
Capital assets, net	<u>\$ 5,964,249</u>	<u>\$ (168,231)</u>	<u>\$ (6,270)</u>	<u>\$ 5,789,748</u>

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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	Balance at January 1, 2014	Additions	(Deletions)	Balance at December 31, 2014
<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	214,056	1,700	-	215,756
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
	<u>1,320,731</u>	<u>1,700</u>	<u>-</u>	<u>1,322,431</u>
Less accumulated depreciation for:				
Building and pool	(704,556)	(26,681)	-	(731,237)
Computers and equipment	(236,939)	(14,332)	-	(251,271)
Computer software	-	-	-	-
Mapping, copyright, and patent	-	-	-	-
Total accumulated depreciation	<u>(941,495)</u>	<u>(41,013)</u>	<u>-</u>	<u>(982,508)</u>
Business-type activities				
Capital assets, net	<u>\$ 429,236</u>	<u>\$ (39,313)</u>	<u>\$ -</u>	<u>\$ 389,923</u>

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

**Governmental Activities:**

General government	\$ 43,506
Public safety	35,272
Public works	<u>210,702</u>
Total depreciation expense - governmental activities	<u>\$ 289,480</u>

**Business-Type Activities:**

Pool	\$ 30,949
Solid waste	<u>10,064</u>
Total depreciation expense - enterprise activities	<u>\$ 41,013</u>

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

Interfund receivables, payables, and transfers at December 31, 2014 are summarized below:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 392,605	\$ (60,174)
Liquid Fuels Fund	-	(50,363)
Swimming Pool Fund	-	(259,069)
Solid Waste Disposal Fund	60,174	(83,173)
Total	<u>\$ 452,779</u>	<u>\$ (452,779)</u>

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 111,000	\$ (242,511)
Capital Debt Fund	45,315	-
Capital Projects Fund	165,000	(22,804)
Solid Waste Disposal Fund	-	(56,000)
Total	<u>\$ 321,315</u>	<u>\$ (321,315)</u>

Transfers between funds mainly represent reimbursements and administrative fees paid on behalf of other funds. All due to/due from amounts are expected to be liquidated within the next year, except the \$259,069 due to the General Fund from the Swimming Pool Fund. The Swimming Pool Fund will reimburse the General Fund for payroll expenditures when funds become available.

### 6. LONG-TERM DEBT

#### General Obligation Note 2003

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

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 10,810	\$ 773	\$ 11,583
2016	7,527	257	7,784
	<u>\$ 18,337</u>	<u>\$ 1,030</u>	<u>\$ 19,367</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>
2015	\$ 21,733	\$ 389	\$ 22,122

### 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>
2015	\$ 22,439	\$ 365	\$ 22,804

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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### Governmental Activities:

	Balance at January 1, 2014	Principal Repayments	Other Changes	Balance at December 31, 2014	Due Within One Year
Loans and notes	\$ 141,412	\$ (78,903)	\$ -	\$ 62,509	\$ 54,982
Compensated absences	214,088	(9,896)	-	204,192	-
	<u>\$ 355,500</u>	<u>\$ (88,799)</u>	<u>\$ -</u>	<u>\$ 266,701</u>	<u>\$ 54,982</u>

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

	Principal	Interest	Total
2015	\$ 54,982	\$ 1,527	\$ 56,509
2016	7,527	257	7,784
	<u>\$ 62,509</u>	<u>\$ 1,784</u>	<u>\$ 64,293</u>

## 7. PENSION PLANS

### Summary of Significant Accounting Policies

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

### 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 Borough for municipal contributions required by Act 205 of the Commonwealth (Act). The Plans are governed by the Borough's Council, which has delegated the authority to manage certain Plan assets to the Principal Financial Group. The activity of the Plans is reported as the Pension Trust Fund in the accompanying financial statements. Stand-alone financial statements are not issued for either plan. The most recent actuarial valuation was completed as of January 1, 2013.

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

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

### Contributions and Funding Policy

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

For 2014, both employee groups were required to contribute based upon the financial requirements established by their collective bargaining contract. In 2014, the Non-Uniformed Plan contribution rate was 3.25% and the Police Retirement Plan contribution rate was 5.0% of their compensation.

During the year, the Borough made its required contribution of \$103,085 and \$167,242 to the Non-uniformed and Police Plans, respectively, based upon the MMO. A portion of the required contribution was funded through the Commonwealth of Pennsylvania funding.

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

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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As of December 31, 2014, pension membership consisted of the following:

	<u>Non-uniformed</u>	<u>Police</u>
Inactive plan members or beneficiaries currently receiving benefits	3	10
Inactive plan members entitled to but not yet receiving benefits	6	0
Active plan members	10	12
Total plan members	<u>19</u>	<u>22</u>

### Benefits Provided – Non-uniformed Plan

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

*Retirement Benefit* - A participant is entitled to begin receiving retirement benefits after completing 10 years of service and attaining age 65. Early retirement is permitted at the age of 55 after completing 9 years of service. The scheduled monthly retirement benefit is 1.5% of the participant's final average monthly salary multiplied by years of service on or after January 1, 1992 and 1% of the final monthly average service multiplied by years of service before January 1, 1992. Employees are vested for benefits after 9 years of service.

*Disability Benefit* - If a participant becomes totally and permanently disabled as a result of accident or sickness occurring in the line of duty, the participant is entitled to receive a monthly disability benefit after nine years of service. The scheduled benefit is the accrued benefit at date of disablement, offset by Social Security disability benefits for the same injury. Payments will continue until the earliest of recovery, death, or normal retirement.

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

### Benefits Provided – Police Plan

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

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

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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### Net Pension Liability

The components of the net pension liability of the pension plans at December 31, 2014 were as follows:

	<u>Non-Uniformed</u>	<u>Police</u>
Total pension liability	\$ 2,236,431	\$ 5,637,913
Plan fiduciary net position	<u>1,973,299</u>	<u>4,733,424</u>
Net pension liability	<u>\$ 263,132</u>	<u>\$ 904,489</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>88.2%</u>	<u>84.0%</u>

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

	<u>Non-uniformed</u>	<u>Police</u>
Actuarial valuation date	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	6.3%	6.3%
Post-retirement interest rate	5.5%	N/A
Projected salary increases	4.3%	4.5%
Underlying inflation rate	3.0%	3.0%
Cost-of-living adjustments	Not Applicable	Not Applicable

Actuarial assumptions based on actuarial experience study for the period January 1, 2011 to December 31, 2012.

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

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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*Investment Policy* – The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan has no formally adopted investment policy.

*Credit Risk* - Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The plan has no investment policy for credit risk. At December 31, 2014, all plan assets were invested in an annuity contract held by Principal Financial Group, which is not rated.

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

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2014:

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

*Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2014, the annual money-weighted rate of return on the Non-Uniformed Plan and Police Plan investments, net of investment expense, was 4.22% and 4.37%, respectively.

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

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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

*Discount Rate* - The discount rate used to measure the total pension liability for the Non-Uniformed and Police Plans was 6.25% pre-termination and 5.5% post-termination. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that the Borough's contributions will be made based on the yearly MMO calculation. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents the net pension liability of the Plans calculated using the discount rates described above, as well as what the Plans' net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Non-Uniformed *	\$ 676,488	\$ 357,348	\$ 83,063
Police	\$ 881,925	\$ 150,031	\$ (459,922)

\*Rate shown is pre-termination. Post termination rates are 0.75% lower.

### Additional Employer Disclosures Required by GASB Statements No. 27 and 50

The information below is with regard to employer pension activity for the year ended December 31, 2014. Costs and contributions were based upon an actuarial valuation performed as of January 1, 2013, as required by Act 205.

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

The Plan assumptions under Act 205 are as follows:

	Non-Uniformed	Police
Actuarial valuation date	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed
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%

The Borough's annual pension cost, percentage of the annual pension costs contributed, and net pension obligation (asset) for the past three years is as follows:

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<u>Non-Uniformed:</u>	12/31/2012	\$ 104,741	78%	\$ (86,690)
	12/31/2013	114,240	94%	(79,487)
	12/31/2014	109,689	94%	(72,883)
<u>Police:</u>	12/31/2012	\$ 168,242	96%	\$ 5,977
	12/31/2013	175,507	100%	5,703
	12/31/2014	166,981	100%	5,442

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

The Borough has a net pension asset (a negative net pension obligation (NPO)) in its Non-Uniformed Plan as of December 31, 2014 calculated as follows:

	Non-Uniformed	Police	
Annual required contribution	\$ 103,085	\$ 167,242	
Interest on NPO	(5,167)	371	
Adjustments to the ARC	11,771	(632)	
Annual pension cost	109,689	166,981	
Contribution made	103,085	167,242	
Change in NPO	6,604	(261)	
NPO, 12/31/2013	(79,487)	5,703	
NPO, 12/31/2014	\$ (72,883)	\$ 5,442	

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

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
Non-Uniformed:					
\$ 1,784,722	\$ 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.

### 8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits disclosed in Note 7, labor agreements have provided for certain postemployment benefits, other than pension benefits, to be provided to retirees or their beneficiaries. The plan is considered partially "funded." Annual contributions are

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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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 for employees hired before January 1, 2009, 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 2014, the Borough contributed \$45,757 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.

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

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# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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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	(3,724)
Adjustment to annual required contribution	<u>7,175</u>
Annual OPEB cost	49,230
Contributions made	<u>45,757</u>
Increase (decrease) in net OPEB obligation	3,473
Net OPEB obligation (asset) beginning of year	<u>(74,472)</u>
Net OPEB obligation (asset) end of year	<u><u>\$ (70,999)</u></u>

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

# BOROUGH OF WHITE OAK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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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 2014 and later
Dental inflation rate	3% for 2014 and later
Age adjustment for health care costs:	
Age 45	\$ 4,494
Age 50	5,287
Age 55	6,218
Age 60	7,421
Age 64	8,353

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

### Three-Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
December 31, 2014	\$ 49,230	92.95%	\$ (70,999)
December 31, 2013	48,313	140.96%	(74,472)
December 31, 2012	46,857	167.06%	(54,681)

## 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

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# **BOROUGH OF WHITE OAK**

## **NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2014

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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, 2014, 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, 2014 totaled \$333,262. 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 - Pension Plan  
Disclosures**

# BOROUGH OF WHITE OAK

## SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

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

#### POLICE PLAN

YEAR ENDED DECEMBER 31, 2014

<b>Total Pension Liability:</b>	
Service cost	\$ 173,863
Interest	337,829
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(207,248)</u>
<b>Net Changes in Total Pension Liability</b>	304,444
<b>Total Pension Liability - Beginning</b>	<u>5,333,469</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 5,637,913</u></u>
<b>Plan Fiduciary Net Position:</b>	
Contributions - employer	\$ 167,242
Contributions - member	48,167
Net investment income (includes investment expenses)	310,683
Benefit payments, including refunds of member contributions	(207,248)
Administrative expense	(6,521)
Other	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	312,323
<b>Plan Fiduciary Net Position - Beginning</b>	<u>4,421,101</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 4,733,424</u></u>
<b>Net Pension Liability - Ending (a-b)</b>	<u><u>\$ 904,489</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u><u>84.0%</u></u>
<b>Covered Employee Payroll</b>	<u><u>\$ 979,362</u></u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	92.4%

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

# BOROUGH OF WHITE OAK

## SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

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

#### NON-UNIFORMED PLAN

YEAR ENDED DECEMBER 31, 2014

<b>Total Pension Liability:</b>	
Service cost	\$ 46,742
Interest	131,901
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(34,891)
<b>Net Changes in Total Pension Liability</b>	143,752
<b>Total Pension Liability - Beginning</b>	2,092,679
<b>Total Pension Liability - Ending (a)</b>	\$ 2,236,431
<b>Plan Fiduciary Net Position:</b>	
Contributions - employer	\$ 103,085
Contributions - member	14,909
Net investment income (includes investment expenses)	90,275
Benefit payments, including refunds of member contributions	(34,891)
Administrative expense	(5,183)
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	168,195
<b>Plan Fiduciary Net Position - Beginning</b>	1,805,104
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 1,973,299
<b>Net Pension Liability - Ending (a-b)</b>	\$ 263,132
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	88.2%
<b>Covered Employee Payroll</b>	\$ 484,121
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	54.4%

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

# BOROUGH OF WHITE OAK

## SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

### SCHEDULES OF BOROUGH CONTRIBUTIONS AND INVESTMENT RETURNS

YEAR ENDED DECEMBER 31, 2014

#### NON-UNIFORMED PLAN:

<u>Schedule of Borough Contributions</u>	
Actuarially determined contribution	\$ 103,085
Contributions in relation to the actuarially determined contribution	<u>103,085</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	<u>\$ 484,121</u>
Contributions as a percentage of covered employee payroll	21.3%
<u>Investment Returns</u>	
Annual money-weighted rate of return, net of investment expense	4.22%

#### POLICE PLAN:

<u>Schedule of Borough Contributions</u>	
Actuarially determined contribution	\$ 167,242
Contributions in relation to the actuarially determined contribution	<u>167,242</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	<u>\$ 979,362</u>
Contributions as a percentage of covered employee payroll	17.08%
<u>Investment Returns</u>	
Annual money-weighted rate of return, net of investment expense	4.37%

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

# BOROUGH OF WHITE OAK

## NOTE TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS

YEAR ENDED DECEMBER 31, 2014

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### Actuarial Methods and Assumptions under GASB Statement No. 67

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates are as follows:

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

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**Required Supplementary  
Information – Employer Pension  
Plan Disclosures**

# BOROUGH OF WHITE OAK

## SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTING ENTITIES - PENSION TRUST FUND

	<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
<u>Non-Uniformed:</u>			
	2009	\$ 65,187	>100%
	2010	89,323	100%
	2011	96,682	84%
	2012	92,800	100%
	2013	107,037	100%
	2014	103,085	100%
 <u>Police:</u>			
	2009	\$ 96,000	100%
	2010	162,964	110%
	2011	168,805	96%
	2012	167,645	100%
	2013	175,781	100%
	2014	167,242	100%

Note: Contributions include state pension aid.

See accompanying note to schedules of required supplementary information - employer.



# BOROUGH OF WHITE OAK

## SCHEDULES OF FUNDING PROGRESS - PENSION TRUST FUND

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess as a Percentage of Covered Payroll
<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 schedules of required supplementary information - employer.

# BOROUGH OF WHITE OAK

## NOTE TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - EMPLOYER

YEAR ENDED DECEMBER 31, 2014

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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 is as follows:

	<u>General Employees</u>	<u>Police</u>
Actuarial valuation date	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed
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%
Cost of living adjustments	N/A	N/A

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

YEAR ENDED DECEMBER 31, 2014  
(Dollar Amounts in Thousands)

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

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

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2014

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

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

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

### Premium Schedules as of January 1, 2012

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

## **Supplementary Information**

# BOROUGH OF WHITE OAK

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

YEAR ENDED DECEMBER 31, 2014

	Budget	Actual (Budgetary Basis)	Variance with Budget
<b>Revenues:</b>			
Interest, rents, and royalties	\$ -	\$ -	\$ -
<b>Expenditures:</b>			
Debt service:			
Principal	43,814	43,814	-
Interest	1,502	1,501	1
Total expenditures	45,316	45,315	1
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(45,316)</b>	<b>(45,315)</b>	<b>1</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	45,315	45,315
<b>Net Change in Fund Balance</b>	<b>\$ (45,316)</b>	<b>\$ -</b>	<b>\$ 45,316</b>