

**RICHLAND BOROUGH  
FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

Borough Council  
Richland Borough  
Richland, Pennsylvania

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 Richland Borough, as of and for the year ended December 31, 2015, which collectively comprise the Borough's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

*Opinions*

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Richland Borough, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

*Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

*Other-Matters*

Accounting principles generally accepted in the United States of America requires that the budgetary comparison information on page 25 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 about 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. Richland Borough has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Garcia Garman & Shea, PC*

Lebanon, Pennsylvania  
May 25, 2016

**RICHLAND BOROUGH**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**DECEMBER 31, 2015**

	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 328,645	\$ 230,474	\$ 559,119
Internal balances	9,068	(9,068)	-
Total current assets	<u>\$ 337,713</u>	<u>\$ 221,406</u>	<u>\$ 559,119</u>
<b><u>LIABILITIES AND NET POSITION</u></b>			
CURRENT LIABILITIES			
Escrow liability	\$ 200	\$ -	\$ 200
Total current liabilities	<u>200</u>	<u>-</u>	<u>200</u>
NET POSITION			
Unrestricted	293,621	221,406	515,027
Restricted, Highway Aid	<u>43,892</u>	<u>-</u>	<u>43,892</u>
Total net position	<u>337,513</u>	<u>221,406</u>	<u>558,919</u>
Total liabilities and net position	<u>\$ 337,713</u>	<u>\$ 221,406</u>	<u>\$ 559,119</u>

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
<b>Governmental activities</b>					
General government	\$ 82,484	\$ -	\$ -	\$ -	
Public safety	25,566	1,804	8,948	-	
Public works	363,457	124,012	46,635	-	
Culture and recreation	8,482	-	-	-	
Insurance	12,258	-	-	-	
Employee benefits	80,689	-	7,842	-	
Debt service					
Principal	38,131	-	-	-	
Interest	3,048	-	-	-	
Total governmental activities	614,115	125,816	63,425	-	
<b>Business-type activities</b>					
Water	183,340	235,711	-	-	
Total primary government	\$ 797,455	\$ 361,527	\$ 63,425	\$ -	
General revenues					
Taxes					
Property taxes, levied for general purpose					
Earned income taxes, levied for general purpose					
Local services tax, levied for general purpose					
Other enabling taxes, levied for general purpose					
Franchise taxes					
Public service taxes					
Investment earnings					
Other revenue					
Refund of prior years revenue					
Total general revenues, special items, and transfers					
Change in net position					
Net position, beginning					
Net position, ending					

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net  
Position - Primary Government

	Governmental Activities	Business-type Activities	Total
\$	(82,484)	\$ -	\$ (82,484)
	(14,814)	-	(14,814)
	(192,810)	-	(192,810)
	(8,482)	-	(8,482)
	(12,258)	-	(12,258)
	(72,847)	-	(72,847)
	(38,131)	-	(38,131)
	(3,048)	-	(3,048)
	(424,874)	-	(424,874)
	-	52,371	52,371
	(424,874)	52,371	(372,503)
	188,165	-	188,165
	145,838	-	145,838
	28,381	-	28,381
	4,602	-	4,602
	14,394	-	14,394
	19,669	-	19,669
	137	60	197
	567	-	567
	(2,631)	-	(2,631)
	399,122	60	399,182
	(25,752)	52,431	26,679
	363,265	168,975	532,240
\$	337,513	\$ 221,406	\$ 558,919

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
DECEMBER 31, 2015

	General	Highway Aid	Total Governmental Funds
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 284,753	\$ 43,892	\$ 328,645
Due from other funds	9,068	-	9,068
 Total current assets	 <hr/>	 <hr/>	 <hr/>
	\$ 293,821	\$ 43,892	\$ 337,713
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>CURRENT LIABILITIES</b>			
Escrow payable	\$ 200	\$ -	\$ 200
 Total current liabilities	 <hr/>	 <hr/>	 <hr/>
	200	-	200
<b>FUND BALANCES</b>			
Restricted	-	43,892	43,892
Unassigned	293,621	-	293,621
 Total fund balances	 <hr/>	 <hr/>	 <hr/>
	293,621	43,892	337,513
 Total liabilities and fund balances	 <hr/>	 <hr/>	 <hr/>
	\$ 293,821	\$ 43,892	\$ 337,713

See accompanying notes to the financial statements.

**RICHLAND BOROUGH**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**DECEMBER 31, 2015**

	General	Highway Aid	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 386,655	\$ -	\$ 386,655
Licenses and permits	14,494	-	14,494
Fines	1,454	-	1,454
Interest and rents	81	56	137
Grants and gifts	23,097	40,578	63,675
Charges for services	124,012	-	124,012
Other revenue	567	-	567
 Total revenues	 550,360	 40,634	 590,994
<b>EXPENDITURES</b>			
General government	\$ 82,484	-	\$ 82,484
Public safety	25,566	-	25,566
Public works	280,960	82,497	363,457
Culture and recreation	8,482	-	8,482
Insurance	12,258	-	12,258
Employee benefits	80,689	-	80,689
Debt service			
Principal	38,131	-	38,131
Interest	3,048	-	3,048
 Total expenditures	 531,618	 82,497	 614,115
 Excess (deficiency) of revenues over expenses	 18,742	 (41,863)	 (23,121)
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund of prior years revenues	(2,631)	-	(2,631)
 Total other financing sources (uses)	 (2,631)	 -	 (2,631)
 Net change in fund balances	 16,111	 (41,863)	 (25,752)
 Fund balances, beginning	 277,510	 85,755	 363,265
 Fund balances, ending	 \$ 293,621	 \$ 43,892	 \$ 337,513

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS  
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 230,474
Total current assets	<u>\$ 230,474</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Due to other funds	\$ 9,068
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NET POSITION

Unrestricted	<u>221,406</u>
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Total liabilities and net position	<u>\$ 230,474</u>
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See accompanying notes to the financial statements.

RICHLAND BOROUGH  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
 PROPRIETARY FUNDS - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Water Fund</u>
<b>OPERATING REVENUES</b>	
Water rents	<u>\$ 235,711</u>
Total operating revenues	<u>235,711</u>
<b>OPERATING EXPENSES</b>	
Wages	30,257
Payroll taxes	2,260
Employee benefits	5,013
Utilities	10,678
Chemicals	10,033
Pumping and distribution	11,513
Repairs and maintenance	15,463
Accounting	2,899
Engineering	5,784
Insurance	4,019
Telephone	776
Supplies	<u>6,929</u>
Total operating expenses	<u>105,624</u>
Operating income	<u>130,087</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest paid	(18,454)
Principal payments on debt	(59,262)
Investment income	<u>60</u>
Total nonoperating revenues (expenses)	<u>(77,656)</u>
Change in net position	52,431
Net position, beginning	<u>168,975</u>
Net position, ending	<u>\$ 221,406</u>

See accompanying notes to the financial statements.

**RICHLAND BOROUGH**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 235,711
Payroll and benefits	(37,530)
Goods and services	<u>(63,793)</u>
Net cash provided by operating activities	<u>134,388</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal payments	(59,262)
Interest payment	<u>(18,454)</u>
Net cash used in capital and related financing activities	<u>(77,716)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	<u>60</u>
Net change in cash and cash equivalents	56,732
Cash and cash equivalents, beginning	<u>173,742</u>
Cash and cash equivalents, ending	<u>\$ 230,474</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 130,087
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase (decrease) in	
Due to other funds	<u>4,301</u>
Net cash provided by operating activities	<u>\$ 134,388</u>

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
 DECEMBER 31, 2015

	Police Pension Fund	Non-uniformed Pension Fund	Total
<b>ASSETS</b>			
Investments	\$ -	\$ 192,068	<u>\$ 192,068</u>
<b>LIABILITIES</b>			
Due to fund	<u>\$ 31,937</u>	\$ -	\$ 31,937
<b>NET POSITION</b>			
Restricted for pension benefits	<u>(31,937)</u>	192,068	160,131
Total liabilities and net position	<u>\$ -</u>	\$ 192,068	<u>\$ 192,068</u>

See accompanying notes to the financial statements.

**RICHLAND BOROUGH**  
**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Police Pension Fund	Non-uniformed Pension Fund	Total
<b>ADDITIONS</b>			
Contributions, State aid	\$ -	\$ 7,842	\$ 7,842
Contributions, employer	- 30,925		30,925
Investment income (loss)	(4,148) 4,423		275
Total additions	<u>(4,148)</u>	<u>43,190</u>	<u>39,042</u>
<b>DEDUCTIONS</b>			
Benefit payments	312,738	32,366	345,104
Administrative expenses	- 80		80
Total deductions	<u>312,738</u>	<u>32,446</u>	<u>345,184</u>
Change in net position	(316,886)	10,744	(306,142)
Net position restricted for pension benefits			
Beginning	<u>284,949</u>	<u>181,324</u>	<u>466,273</u>
Ending	<u>\$ (31,937)</u>	<u>\$ 192,068</u>	<u>\$ 160,131</u>

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

Richland Borough is located in Lebanon County, Pennsylvania. The Borough is a municipal corporation organized in 1906 and is governed by a Borough Council and a mayor. The daily operations and management of the Borough is performed by the Borough Secretary, who is appointed by the Borough Council. Services provided by the Borough as authorized by its charter include public safety, public works, public health and welfare, culture and recreation.

The Borough defines its reporting entity based upon the criteria established by Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity.” The Borough includes in its reporting entity organizations for which it is financially accountable and other organizations for which the nature and significance of the relationship with the Borough is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The definition of reporting entity is based primarily on the notion of financial accountability. The Borough is financially accountable to an organization if they appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the Borough. The Borough would include any organization fiscally dependent upon it.

Millcreek-Richland Joint Authority has been evaluated using the above criteria and is considered a related organization. Significant factors for including the Authority are the appointment of an equal number of voting members to the joint Authority board and the Borough’s guarantee of a percentage of the Authority’s debt; however Millcreek Township is considered the primary government for the Authority. Millcreek-Richland Joint Authority issues a separate report, a copy of which is held in the Borough’s office and is available for public review.

Basis of Presentation - Fund Accounting

The Borough’s accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and aid management by segregating transactions related to specific Borough funding or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts as follows:

Major Governmental Funds

- 1) General Fund – This fund is the general operating fund of the Borough and is used to account for all financial resources except those required to be accounted for in another fund.
- 2) Highway Aid Fund – This fund is used to account for revenues and expenditures related to street repair and maintenance. This fund is not budgeted.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Major Enterprise Funds*

These funds are used for activities which are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- 1) Water Fund - This fund is used to account for the assets, liabilities, income and expenses related to the operation of the Borough's water system.

*Other Fund Types*

*Fiduciary Funds*

These funds are used to account for assets held by the Borough in a Trustee capacity or as an agent for individuals, private organizations, or other governments.

- 1) Police Pension Fund – This fund accounts for the activities of the uniform pension plan, which accumulates resources for pension benefits payments to qualified employees.
- 2) Non-Uniform Pension Fund – This fund accounts for the activities of the non-uniform pension plan, which accumulates resources for pension benefits payments to qualified employees.

*Basis of Presentation*

*Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the Borough.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each identifiable activity of the business-type, and for each function or program of the governmental activities of the Borough. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the Borough.

*Fund Financial Statements*

Fund financial statements report detailed information about the Borough. Their focus is on major funds rather than reporting by fund type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary Funds are reported by fund type.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the modified cash basis of accounting. The fund financial statements are prepared using the modified cash basis for governmental and proprietary funds and accrual basis for fiduciary funds. Modifications in such a method from the cash basis are as follows:

- Due to/from balances are recorded.
- Escrow liabilities are recorded.

Net Position

Net position is divided into three components:

*Net investment in capital assets* – consist of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

*Restricted net position* – consist of assets that are restricted by the Borough's creditors, by the state enabling legislation, by grantors, and by other contributors.

*Unrestricted* – all other net position is reported in this category.

Fund Balance

The Borough reports fund balance in the governmental fund statements under GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Borough's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Nonspendable fund balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

*Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed fund balance* – amounts constrained to specific purposes by the Borough itself, using its highest level of decision-making authority (the Borough Council). To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest level action to remove or change the constraint.

*Assigned fund balance* – amounts the Borough intends to use for a specific purpose. Intent can be expressed by the Borough Council or by an official or body to which the Borough Council delegates the authority.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Unassigned fund* balance – amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Borough Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Borough Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The Borough will typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Budgetary Control**

The Borough has established the calendar year end for reporting purposes.

During October, a draft budget is prepared by the Secretary and forwarded to the Borough Council where it is discussed at the November Board meeting. The Borough makes available to the public its proposed operating budget for all funds. The operating budget includes proposed expenditures and the means of financing them. The Council holds public hearings and a final budget must be prepared and adopted no later than December 31, through the passage of an ordinance.

Budgeted amounts are final appropriated amounts, which are as originally adopted.

The Combined Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund – Modified Cash Basis presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. The fund utilizes the same basis of accounting for both budgetary purposes and actual results for this comparison. The highway aid fund does not have a legally adopted budget.

**Restricted Resources**

The Borough utilizes restricted resources first on those occasions where both restricted and unrestricted resources are available for the same purpose.

**Interfund Activity**

Transfers between governmental and business-type activities on government-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

**Cash Equivalents**

For the purpose of the statement of cash flows, cash equivalents are highly liquid investments with an original maturity of three months or less.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)**

Investments

In the pension trust funds, investments are recorded at fair value as determined by quoted market price.

Capital Assets

Capital assets purchased are reported as expenditures in the respective fund at the time of purchase. The Borough has not maintained a record of its capital assets.

Infrastructure

The cost of constructing or acquiring infrastructure assets is reported as expenditures in the respective fund at the time of purchase. The Borough has not maintained a record of its infrastructure assets.

Escrow payable

Escrow liabilities represent amounts received under the terms of agreements between the Borough and a developer with respect to construction by the developer. The escrow amounts represent security for payment of all costs and expenses incurred by the Borough pursuant to the terms of the agreement. Upon payment of all Borough costs and expenses, any unexpended balance is returnable to the developer.

Long-Term Debt

Repayment of long-term debt is reported as expenditures in the respective fund. The Borough does not report a liability for the long-term debt under the modified cash basis. See Note 4 for details on outstanding amounts and current portion.

Compensated Absences

Full time employees of the Borough are entitled to vacation and sick benefits based upon years of service. Vacation hours must be taken by the end of the calendar year. A maximum of 180 hours of sick time may be carried to the following year. There is no mention of treatment of unused days upon termination. Total liability for these compensated absences as of December 31, 2015 was \$6,171.

Operating Revenue and Expense

The proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenue of the proprietary funds is charges for services. Operating expenses include the cost of sales and services, and administrative expenses. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The Borough is permitted to invest funds consistent with sound business practices in the following types of investments:

- 1) Obligations of (a) the United States of America, (b) the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed respectively by their full faith and credit.
- 2) Deposits in savings, time deposit or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

The deposit and investment policy of the Borough adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or Borough policy.

At year end, the carrying amount of the Borough's cash and deposits in all fund types (with the exception of fiduciary funds) was \$559,119, including petty cash of \$100, and the bank balance was \$564,022, of which \$250,000 was fully insured and \$314,022 was collateralized by securities held by the pledging financial institution's trust department or agent but not in the Borough's name. When collateral is required in excess of insurance limits, the requirements of Act 72 of 1971 are followed with respect to pooling, custody and type of collateral.

The Borough places no limit on the amounts deposited in any one issuer. The Borough's deposits in Jonestown Bank and Trust represented 100% of the Borough's total investments.

The Borough does not have a formal investment policy that limits investment maturities as a means of managing changing interest rates, addresses custodial credit risk, concentration of credit risk, or foreign currency risk.

**NOTE 3 – PROPERTY TAXES**

Based upon assessed valuations provided by the county, the tax collector bills and collects taxes on behalf of the Borough. The Borough tax rate in 2015 was 1.89 mills (\$1.89 per \$1,000 assessed value). The schedule for property taxes levied for 2015 is as follows:

Tax levy date	March 1, 2015
2% discount period	Through April 30, 2015
Face payment period	Through June 30, 2015
10% penalty period	Beginning July 1, 2015
Lien filing date	January 1, 2016

**RICHLAND BOROUGH**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 4 – LONG-TERM DEBT**

In an agreement dated June 2002, the Borough refinanced with First Citizens Community Bank (formerly First National Bank of Fredericksburg) a previous note in the amount of \$475,000 for construction of a water tank. The note requires monthly payments of interest and principal of \$3,215 at the rate of 5.3% interest, through August 2022. Payments on the debt are recorded as expenditures in the water fund. The note is secured by the full faith, credit and taxing power of the Borough.

In an agreement dated May 2011, the Borough acquired financing through First Citizens Community Bank (formerly First National Bank of Fredericksburg) in the amount of \$325,000 for water system improvement costs. The note requires quarterly payments of interest and principal of \$9,784 at the rate of 3.75% interest, through May 2021. Payments on the debt are recorded as expenditures in the water fund. The note is secured by the full faith, credit and taxing power of the Borough.

In September 2014, the Borough entered an agreement with First Citizens Community Bank (formerly First National Bank of Fredericksburg) for \$100,000 to finance the purchase of a truck. The agreement requires quarterly payments of \$5,495 with an effective interest rate of 3.62% through September 2019. The note is secured by equipment. Payments on the debt are recorded as expenditures in the general fund.

Changes to the Borough's long-term debt through the water fund are as follows:

	Balance 12/31/14	Issues or Additions	Payments or Retirements	Balance 12/31/15
<b>Water Fund</b>				
First Citizens Community Bank 2002 Series	\$ 240,331	\$ -	\$ (26,538)	\$ 213,793
First Citizens Community Bank 2011 Series	<u>183,802</u>	<u>-</u>	<u>(32,724)</u>	<u>151,078</u>
<b>Total Water Fund</b>	<b>\$ 424,133</b>	<b>\$ -</b>	<b>\$ (59,262)</b>	<b>\$ 364,871</b>
<b>General Fund</b>				
First Citizens Community Bank Note	\$ 95,517	\$ -	\$ (38,131)	\$ 57,386
<b>Total General Fund</b>	<b>\$ 95,517</b>	<b>\$ -</b>	<b>\$ (38,131)</b>	<b>\$ 57,386</b>

**RICHLAND BOROUGH**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 4 – LONG-TERM DEBT BALANCE (*continued*)**

Principal and interest requirements to maturity, for each of the five subsequent years and in five year increments thereafter are as follows:

Fiscal year ending December 31,	Interest	Principal	Combined Total
Water Fund			
2016	\$ 15,869	\$ 61,846	\$ 77,715
2017	13,062	64,653	77,715
2018	10,123	67,592	77,715
2019	7,046	70,669	77,715
2020	4,157	41,844	46,001
2020-2022	2,820	58,267	61,087
	<hr/>	<hr/>	<hr/>
	\$ 53,077	\$ 364,871	\$ 417,948
General Fund			
2016	\$ 1,797	\$ 20,182	\$ 21,979
2017	1,057	20,922	21,979
2018	290	16,282	16,572
	<hr/>	<hr/>	<hr/>
	\$ 3,144	\$ 57,386	\$ 60,530

**NOTE 5 – RELATED ORGANIZATIONS**

The Borough reimburses Millcreek Richland Joint Authority (the Authority) for costs incurred in billing and collecting water revenues on behalf of the Borough. Amounts paid to the Authority totaled \$4,462 for the year ended December 31, 2015.

**NOTE 6 – PENSION PLANS**

Richland Borough contributes to two single employer, defined benefit pension plans that cover the employees of the Borough: The Police Pension Plan and the Non-Uniform Pension Plan. The Borough has delegated the authority to manage plan assets of both plans to the Pennsylvania Municipal Retirement System.

The Richland Borough filed actuarial valuation report Form 203-C with the Public Employee Retirement Commission. The report dated January 1, 2015, was the most recent certified by the municipality's chief administrative officer. This report indicated the municipality maintains a pension plan to provide pension or retirement benefits for Police and Non-Uniform employees.

**Plan Membership**

As of January 1, 2015, the pension plans' membership consisted of:

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 6 – PENSION PLANS (*continued*)**

	Non-Uniform Pension Plan	Police Pension Plan
Active plan participants	-	2
Retired and beneficiaries currently receiving benefits	1	1
Terminated employees entitled to benefits but not yet receiving them	-	-
 Total	 1	 3

The plans provide for retirement, disability and death benefits to plan members and their beneficiaries.

**Summary of Accounting Policies**

The plans' policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

**Valuation of Investments**

The pension plans' unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to pay benefits or administrative expense charged by the Pennsylvania Municipal Retirement System.

The pension plans' unallocated separate accounts are valued at fair value.

**Contributions**

Act 205 requires that annual contributions to the plans be based upon the plan's Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. In accordance with the plan's governing document, non-uniformed employees are not required to contribute to the plan. Employee contributions to the Police Pension Plan are currently waived. The plans may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. The Borough in accordance with Act 205 must pay any funding requirements established by the MMO in excess of employee and state aid.

Investments and administrative expenses are paid through investment earnings.

**RICHLAND BOROUGH**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 6 – PENSION PLANS (continued)**

**REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

**POLICE PENSION FUND**

Actuarial Valuation Date	Actuarial Value of Assets	(a)	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a % of Covered Payroll
1/1/15	\$ 284,949	\$ 274,121	\$ (10,828)	104.0%	\$ -	-	N/A
1/1/13	277,228	276,785	(443)	100.2%	-	-	N/A
1/1/11	294,240	282,239	(12,001)	104.3%	-	-	N/A

**NON-UNIFORM PENSION FUND**

Actuarial Valuation Date	Actuarial Value of Assets	(a)	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a % of Covered Payroll
1/1/15	\$ 184,734	\$ 280,408	\$ 95,674	65.9%	\$ 102,323	-	93.5%
1/1/13	157,992	221,496	63,504	71.3%	90,538	-	70.1%
1/1/11	154,576	189,849	35,273	81.4%	88,172	-	40.0%

**SCHEDULE OF CONTRIBUTIONS FROM THE BOROUGH  
AND OTHER CONTRIBUTION ENTITIES**

**POLICE PENSION FUND**

Plan Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
December 31, 2015	\$ -	\$ -	N/A
December 31, 2014	-	-	N/A
December 30, 2013	-	-	N/A

**RICHLAND BOROUGH**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 6 – PENSION PLANS (continued)**

**NON-UNIFORM PENSION FUND**

Plan Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
December 31, 2015	\$ 38,767	\$ 38,767	100.00%
December 31, 2014	19,359	19,359	100.00%
December 30, 2013	15,532	15,532	100.00%

**NOTES TO SUPPLEMENTARY SCHEDULE**

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the actuarial latest valuation date used to determine the Annual Required Contribution (ARC) is as follows:

	Non-Uniform Pension Plan	Police Pension Plan
Actuarial Valuation Date	January 1, 2015	January 1, 2015
Actuarial Cost Method	Entry age, Normal	Entry age, Normal
Disability rates	None	None
Mortality	RP-2000 Combined Mortality Table projected to 2015 using Scale AA.	RP-2000 Combined Mortality Table projected to 2015 using Scale AA.
Retirement age	Normal Retirement Age	Normal Retirement Age
Asset Valuation Method	Each year the investment gain (excess of actual investment income including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 120% or less than 80% of contract value.	Market Value
Actuarial Assumptions		
Investment Rate of Return	7.50%	7.75%
Projected Salary Increases	5.00%	5.00%

**RICHLAND BOROUGH**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 7 – CONTINGENCIES AND COMMITMENTS**

In 2014, the Borough entered into agreements to guarantee a certain portion of the 2014 Guaranteed Sewer Revenue Bonds Series B of the Millcreek-Richland Joint Authority (a component unit of Millcreek Township). The guarantee is backed by the full faith, credit and taxing power of the Borough. The bonds were issued to refinance the 2007 bonds issued for the purpose of constructing additions, extensions, and improvements to the sanitary sewage system of the Authority, a portion of which serves the Borough, and paying related costs and expenses.

The Millcreek-Richland Joint Authority is a legally separate entity that has customers within the Borough boundaries but is not a component unit of the Borough or part of the Borough's financial reporting entity. The outstanding balance on the bonds as of December 31, 2015, was \$8,169,000, of which the Borough guarantees \$2,450,700. The bonds have repayment terms through August 2037. In the event the Authority is unable to make a required payment on the bonds, the Borough would be required to make that payment. The Authority is not required to repay the Borough for any payments the Borough makes pursuant to the guarantee.

**NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Compliance with Finance Related Legal and Contractual Provisions

The Borough has no material violations of finance related legal and contractual provisions.

Deficit Net Position

The Borough does not have any deficit in net position.

Excess of Expenditures over Appropriations

Unbudgeted Firemen's Relief expenditure, under-budgeted workers compensation and pension expenditures and additional principal payment on long-term debt attributed to the Borough's expenditures exceeding the appropriations.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RICHLAND BOROUGH**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund			Variance Favorable (Unfavorable)
	Budget	Actual		
<b>REVENUES</b>				
Taxes	\$ 365,500	\$ 386,655	\$ 21,155	
Licenses and permits	13,250	14,494	1,244	
Fines	1,000	1,454	454	
Interest and rents	50	81	31	
Grants and gifts	29,637	23,097	(6,540)	
Charges for services	141,000	124,012	(16,988)	
Other revenue	-	567	567	
Total revenues	<u>550,437</u>	<u>550,360</u>	<u>(77)</u>	
<b>EXPENDITURES</b>				
General government	\$ 90,350	\$ 82,484	7,866	
Public safety	11,900	25,566	(13,666)	
Public works	284,528	280,960	3,568	
Culture and recreation	12,000	8,482	3,518	
Insurance	24,331	12,258	12,073	
Employee benefits	63,200	80,689	(17,489)	
Debt service				
Principal	22,000	38,131	(16,131)	
Interest	-	3,048	(3,048)	
Total expenditures	<u>508,309</u>	<u>531,618</u>	<u>(23,309)</u>	
Excess of revenues over (under) expenditures	42,128	18,742	(23,386)	
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(30,000)	-	30,000	
Refund of prior years revenues	(12,128)	(2,631)	9,497	
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>16,111</u>	<u>\$ 16,111</u>	
Fund balance, beginning		<u>277,510</u>		
Fund balance, ending		<u>\$ 293,621</u>		

See accompanying notes to the financial statements.

**SUPPLEMENTAL INFORMATION**



Vincent M. Garcia, CPA  
Matthew P. Garman, CPA  
Angela K. Shea, CPA  
William D. Oyster, CPA

INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTAL INFORMATION

Borough Council  
Richland Borough  
Richland, Pennsylvania

Our report on our audit of the basic financial statements of Richland Borough for the year ended December 31, 2015, appears on pages 1 through 2. That audit was conducted for the purpose of forming an opinion on such financial statements taken as a whole. The general fund – schedules of revenues – modified cash basis, and general fund – schedules of expenditures – modified cash basis were presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the Borough's basic financial statements for the year ended December 31, 2014 (none of which is presented herein), and we expressed an unqualified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. The audit was conducted for purposes of forming an opinion on the financial statements as a whole. The general fund – schedules of revenues – modified cash basis, and general fund – schedules of expenditures – modified cash basis are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the December 31, 2014 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014, general fund – schedules of revenues – modified cash basis, and general fund – schedules of expenditures – modified cash basis are fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

*Garcia Garman & Shea, PC*

Lebanon, Pennsylvania  
May 25, 2016

**RICHLAND BOROUGH**  
**GENERAL FUND - SCHEDULES OF REVENUES - MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>TAXES</b>		
Real estate, current year	\$ 187,187	\$ 186,330
Real estate, prior years	978	1,465
Local services tax	28,381	27,886
Per capita taxes, current year	4,499	3,958
Per capita taxes, prior year	103	-
Real estate transfer tax	19,669	26,395
Earned income tax	145,838	154,470
 Total taxes	 386,655	 400,504
<b>LICENSES AND PERMITS</b>		
Zoning permits	100	210
Cable television	14,394	13,651
 Total licenses and permits	 14,494	 13,861
<b>FINES</b>	 1,454	 1,409
<b>INTEREST AND RENTS</b>		
Interest earned on time deposits and savings accounts	81	75
<b>GRANTS AND GIFTS</b>		
Fireman's Relief Grant	8,948	9,300
Municipal Pension System	7,842	7,745
Snow removal	6,057	19,166
Liquor license fees	250	250
 Total grants and gifts	 23,097	 36,461
<b>CHARGES FOR SERVICES</b>		
Refuse collection	124,012	121,876
<b>OTHER REVENUE</b>		
Miscellaneous	567	2,005
 Total revenues	 \$ 550,360	 \$ 576,191

**RICHLAND BOROUGH**  
**GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ADMINISTRATION</b>		
Salaries, mayor	\$ 150	\$ 150
Salary, township secretary	11,303	11,345
Material and supplies	565	752
General expense	8,557	8,809
Legal and accounting fees	38,673	28,262
Telephone	2,230	2,371
Engineering services	666	1,410
 Total administration	 62,144	 53,099
<b>TAX COLLECTION</b>		
Material and supplies	452	516
 Total tax collection	 452	 516
<b>MUNICIPAL BUILDING</b>		
General expenses	1,957	423
Material and supplies	8,112	3,118
Utilities	8,758	8,356
Repairs and maintenance	1,061	1,453
 Total municipal building	 19,888	 13,350
<b>PROTECTION TO PERSONS AND PROPERTY</b>		
Police	791	209
Contribution to volunteer fire company	10,000	10,000
Fireman's Relief Fund	8,948	9,300
Emergency management	1,063	1,063
Zoning	4,764	-
 Total protection to persons and property	 25,566	 20,572
<b>HIGHWAYS AND STREETS</b>		
Salaries and wages	78,430	77,644
Material and supplies	7,692	7,128
Repairs and maintenance of equipment	5,354	13,144
Vehicle operation	7,584	4,989
Street lights	36,425	36,444
Capital improvements	108	5,522
Snow removal	20,715	19,155
 Total highways and streets	 156,308	 164,026

RICHLAND BOROUGH  
 GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS (*continued*)  
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
PUBLIC WORKS - OTHER		
Refuse collection	124,652	124,978
CULTURE AND RECREATION	8,482	7,518
OTHER EXPENDITURES		
Employee payroll taxes and benefits	80,689	57,758
Insurance	12,258	5,026
Debt service		
Principal	38,131	38,433
Interest	3,048	2,926
Total other expenditures	134,126	104,143
Total expenditures	<u>\$ 531,618</u>	<u>\$ 488,202</u>