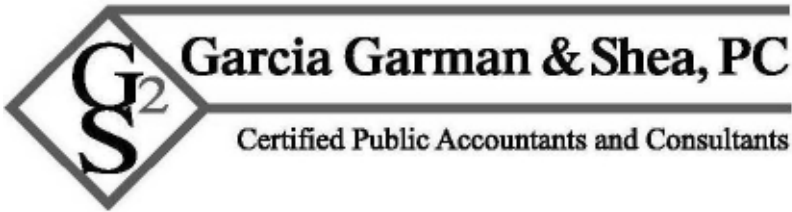


**RICHLAND BOROUGH**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

RICHLAND BOROUGH  
FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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

## 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, 2014, 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 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***

As discussed in Note 1, Richland Borough prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2014, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

***Other-Matters***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 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 the management's discussion and analysis that the Governmental Accounting Standards Board requires to supplement, although not to be a part of, the basic financial statements.

***Garcia Garman & Shea, PC***

Lebanon, Pennsylvania  
March 3, 2015

RICHLAND BOROUGH  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2014

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 358,698	\$ 173,742	\$ 532,440
Internal balances	4,767	(4,767)	-
Total current assets	\$ 363,465	\$ 168,975	\$ 532,440
<u>LIABILITIES AND NET POSITION</u>			
<b>CURRENT LIABILITIES</b>			
Escrow liability	\$ 200	\$ -	\$ 200
Total current liabilities	200	-	200
<b>NET POSITION</b>			
Unrestricted	277,510	168,975	446,485
Restricted, Highway Aid	85,755	-	85,755
Total net position	363,265	168,975	532,240
Total liabilities and net position	\$ 363,465	\$ 168,975	\$ 532,440

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 66,965	\$ -	\$ -	\$ -
Public safety	20,572	1,869	9,300	-
Public works	369,726	121,876	53,263	-
Culture and recreation	7,518	-	-	-
Insurance	5,026	-	-	-
Employee benefits	57,758	-	7,745	-
Debt service				
Principal	38,433	-	-	-
Interest	2,926	-	-	-
Total governmental activities	568,924	123,745	70,308	-
Business-type activities				
Water	215,567	195,464	-	-
Total primary government	\$ 784,491	\$ 319,209	\$ 70,308	\$ -

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

Proceeds from sale of assets

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
\$ (66,965)	\$ -	\$ (66,965)
(9,403)	-	(9,403)
(194,587)	-	(194,587)
(7,518)	-	(7,518)
(5,026)	-	(5,026)
(50,013)	-	(50,013)
(38,433)	-	(38,433)
(2,926)	-	(2,926)
(374,871)	-	(374,871)
-	(20,103)	(20,103)
(374,871)	(20,103)	(394,974)
187,795	-	187,795
154,470	-	154,470
27,886	-	27,886
3,958	-	3,958
13,651	-	13,651
26,395	-	26,395
14,140	-	14,140
177	52	229
2,005	-	2,005
(2,631)	-	(2,631)
427,846	52	427,898
52,975	(20,051)	32,924
310,290	189,026	499,316
\$ 363,265	\$ 168,975	\$ 532,240

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
DECEMBER 31, 2014

	General	Highway Aid	Total Governmental Funds
<u>ASSETS</u>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 272,943	\$ 85,755	\$ 358,698
Due from other funds	4,767	-	4,767
Total current assets	\$ 277,710	\$ 85,755	\$ 363,465
<u>LIABILITIES AND FUND BALANCES</u>			
<b>CURRENT LIABILITIES</b>			
Escrow payable	\$ 200	\$ -	\$ 200
Total current liabilities	200	-	200
<b>FUND BALANCES</b>			
Restricted	-	85,755	85,755
Unassigned	277,510	-	277,510
Total fund balances	277,510	85,755	363,265
Total liabilities and fund balances	\$ 277,710	\$ 85,755	\$ 363,465

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, 2014

	General	Highway Aid	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 400,504	\$ -	\$ 400,504
Licenses and permits	13,861	-	13,861
Fines	1,409	-	1,409
Interest and rents	75	102	177
Grants and gifts	36,461	34,097	70,558
Charges for services	121,876	-	121,876
Other revenue	2,005	-	2,005
<b>Total revenues</b>	<b>576,191</b>	<b>34,199</b>	<b>610,390</b>
<b>EXPENDITURES</b>			
General government	\$ 66,965	-	66,965
Public safety	20,572	-	20,572
Public works	289,004	80,722	369,726
Culture and recreation	7,518	-	7,518
Insurance	5,026	-	5,026
Employee benefits	57,758	-	57,758
Debt service			
Principal	38,433	-	38,433
Interest	2,926	-	2,926
<b>Total expenditures</b>	<b>488,202</b>	<b>80,722</b>	<b>568,924</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>87,989</b>	<b>(46,523)</b>	<b>41,466</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	14,140	-	14,140
Refund of prior years revenues	(2,631)	-	(2,631)
<b>Total other financing sources (uses)</b>	<b>11,509</b>	<b>-</b>	<b>11,509</b>
<b>Net change in fund balances</b>	<b>99,498</b>	<b>(46,523)</b>	<b>52,975</b>
Fund balances, beginning	178,012	132,278	310,290
Fund balances, ending	\$ 277,510	\$ 85,755	\$ 363,265

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS  
DECEMBER 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 173,742
Total current assets	<u>\$ 173,742</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Due to other funds	<u>\$ 4,767</u>
--------------------	-----------------

NET POSITION

Unrestricted	<u>168,975</u>
Total liabilities and net position	<u>\$ 173,742</u>

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, 2014

	Water Fund
<b>OPERATING REVENUES</b>	
Water rents	\$ 195,464
Total operating revenues	195,464
<b>OPERATING EXPENSES</b>	
Wages	29,363
Payroll taxes	2,539
Employee benefits	4,515
Utilities	8,959
Chemicals	4,066
Pumping and distribution	6,922
Repairs and maintenance	15,658
Accounting	4,970
Engineering	991
Insurance	5,163
Telephone	1,208
Capital expenditures	27,792
Supplies	13,751
Total operating expenses	125,897
Operating income	69,567
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest paid	(21,685)
Principal payments on debt	(67,985)
Investment income	52
Total nonoperating revenues (expenses)	(89,618)
Change in net position	(20,051)
Net position, beginning	189,026
Net position, ending	\$ 168,975

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 195,464
Payroll and benefits	(36,417)
Goods and services	(29,770)
	129,277
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments	(67,985)
Interest payment	(21,685)
Capital purchases	-
	(89,670)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	51
	39,658
Cash and cash equivalents, beginning	134,084
Cash and cash equivalents, ending	\$ 173,742
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 69,567
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) decrease in	
Due from other funds	59,485
Increase (decrease) in	
Due to other funds	225
	129,277
Net cash provided by operating activities	\$ 129,277

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
 DECEMBER 31, 2014

	Police Pension Fund	Non-uniformed Pension Fund	Total
<b>ASSETS</b>			
Investments	\$ 284,949	\$ 181,324	\$ 466,273
<b>NET POSITION</b>			
Restricted for pension benefits	\$ 284,949	\$ 181,324	\$ 466,273

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Police Pension Fund	Non-uniformed Pension Fund	Total
<b>ADDITIONS</b>			
Contributions, State aid	\$ -	\$ 7,745	\$ 7,745
Contributions, employer	-	11,614	11,614
Investment income (loss)	33,120	15,511	48,631
<b>Total additions</b>	<b>33,120</b>	<b>34,870</b>	<b>67,990</b>
<b>DEDUCTIONS</b>			
Benefit payments	26,539	5,723	32,262
Administrative expenses	12,463	12,292	24,755
<b>Total deductions</b>	<b>39,002</b>	<b>18,015</b>	<b>57,017</b>
<b>Change in net position</b>	<b>(5,882)</b>	<b>16,855</b>	<b>10,973</b>
Net position restricted for pension benefits			
Beginning	290,831	164,469	455,300
Ending	\$ 284,949	\$ 181,324	\$ 466,273

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**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.

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.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**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. These funds include the Water Fund.

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, 2014

**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.

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.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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

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.

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.

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, 2014

**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 \$532,440, including petty cash of \$100, and the bank balance was \$541,523, of which \$250,000 was fully insured and \$291,523 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 2014 was 1.89 mills (\$1.89 per \$1,000 assessed value). The schedule for property taxes levied for 2014 is as follows:

Tax levy date	March 1, 2014
2% discount period	Through April 30, 2014
Face payment period	Through June 30, 2014
10% penalty period	Beginning July 1, 2014
Lien filing date	January 1, 2015

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE 4 – LONG-TERM DEBT**

In an agreement dated June 2002, the Borough refinanced with First National Bank of Fredericksburg a previous note 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 National Bank of Fredericksburg 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 December 2011 the Borough entered an agreement with John Deere Financial to finance the purchase of a backhoe loader. The agreement requires annual payments of \$15,403 with an effective interest rate of 0.41%. The note is secured by equipment. Payments on the debt were recorded as expenditures in the general and water funds. This loan was paid off in 2014.

In December 2011, the Borough entered an agreement with M&T Bank to finance the purchase of a truck. The agreement requires annual payments of \$5,991 with an effective interest rate of 4.46%. The note is secured by equipment. Payments on the debt were previously recorded as expenditures in the highway aid fund. For the year ended December 31, 2014, the expenditures were recorded in the general and water funds. This loan was paid off in 2014.

In September 2014, the Borough entered an agreement with First National Bank of Fredericksburg 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 12/31/13	Issues or Additions	Payments or Retirements	Balance 12/31/14
<b>Water Fund</b>				
First National Bank of Fredericksburg 2002 Series	\$ 265,478	\$ -	\$ (25,147)	\$ 240,331
First National Bank of Fredericksburg 2011 Series	215,324	-	(31,522)	183,802
<b>Total Water Fund</b>	<b>\$ 480,802</b>	<b>\$ -</b>	<b>\$ (56,669)</b>	<b>\$ 424,133</b>
<b>General Fund</b>				
First National Bank of Fredericksburg Notes	\$ -	\$ 100,000	\$ (4,483)	\$ 95,517
John Deere Financial	28,786	-	(28,786)	-
M & T Bank	16,481	-	(16,481)	-
<b>Total General Fund</b>	<b>\$ 45,267</b>	<b>\$ 100,000</b>	<b>\$ (49,750)</b>	<b>\$ 95,517</b>

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**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
<b>Water Fund</b>			
2015	\$ 18,551	\$ 59,165	\$ 77,716
2016	15,870	61,846	77,716
2017	13,063	64,653	77,716
2018	10,124	67,592	77,716
2019	7,047	70,669	77,716
2020-2024	6,788	100,208	106,996
	<u>\$ 71,443</u>	<u>\$ 424,133</u>	<u>\$ 495,576</u>
<b>General Fund</b>			
2015	\$ 3,205	\$ 18,774	\$ 21,979
2016	2,516	19,463	21,979
2017	1,802	20,177	21,979
2018	1,062	20,917	21,979
2019	294	16,186	16,480
	<u>\$ 8,879</u>	<u>\$ 95,517</u>	<u>\$ 104,396</u>

**NOTE 5 – FUND BALANCE**

The Borough reports fund balance 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, 2014

**NOTE 5 – FUND BALANCE** *(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 Board of Supervisors 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.

**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 Principal Financial Group.

The Richland Borough filed actuarial valuation report Form 203-C with the Public Employee Retirement Commission. The report dated January 1, 2013, 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, 2013, the pension plans' membership consisted of:

	Police Pension Plan	Non-Uniform 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.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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

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 Principal Life Insurance Company.

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.

REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF FUNDING PROGRESS

POLICE PENSION FUND

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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
1/1/09	333,364	290,173	(43,191)	114.9%	-	N/A

NON-UNIFORM PENSION FUND

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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%
1/1/09	171,272	184,970	13,698	92.6%	83,031	16.5%

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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

SCHEDULE OF CONTRIBUTIONS FROM THE BOROUGH  
AND OTHER CONTRIBUTION ENTITIES

POLICE PENSION FUND

Plan Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
December 30, 2013	\$ -	\$ -	N/A
December 31, 2012	-	-	N/A
December 31, 2011	-	-	N/A

NON-UNIFORM PENSION FUND

Plan Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
December 30, 2013	\$ 15,532	\$ 15,532	100.00%
December 31, 2012	15,533	15,533	100.00%
December 31, 2011	12,709	12,709	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:

	Police Pension Plan	Non-Uniform Pension Plan
Actuarial Valuation Date	January 1, 2013	January 1, 2013
Actuarial Cost Method	Entry age, Normal	Entry age, Normal
Asset Valuation Method	Market Value	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.



RICHLAND BOROUGH  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

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

	Police Pension Plan	Non-Uniform Pension Plan
Actuarial Assumptions		
Investment Rate of Return	7.75%	7.50%
Projected Salary Increases	5.00%	5.00%
Withdrawal	None	None
Mortality, Postretirement	RP-2000 Table	RP-2000 Table
Disability	None	None
Retirement Age	Normal Retirement Age	Normal Retirement Age
Expense	Estimated administrative and actuarial plan expenses	Estimated administrative and actuarial plan expenses
Marriage	100% married; male is 3 years older than the female	100% married; male is 3 years older than the female

**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, 2014, 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

The Borough does not have any funds in which total expenditures exceeded the appropriations.

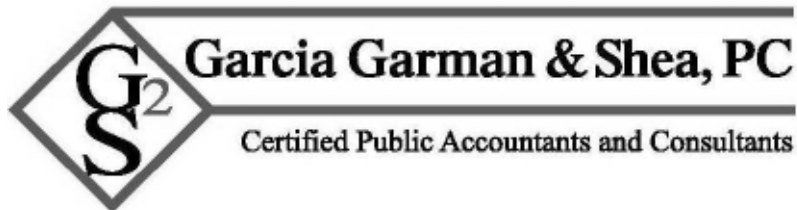
**REQUIRED SUPPLEMENTARY INFORMATION**

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, 2014

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 364,300	\$ 400,504	\$ 36,204
Licenses and permits	13,250	13,861	611
Fines	1,000	1,409	409
Interest and rents	50	75	25
Grants and gifts	29,887	36,461	6,574
Charges for services	141,000	121,876	(19,124)
Other revenue	-	2,005	2,005
<b>Total revenues</b>	<b>549,487</b>	<b>576,191</b>	<b>26,704</b>
<b>EXPENDITURES</b>			
General government	\$ 89,650	\$ 66,965	22,685
Public safety	16,000	20,572	(4,572)
Public works	332,800	289,004	43,796
Culture and recreation	4,100	7,518	(3,418)
Insurance	11,200	5,026	6,174
Employee benefits	44,200	57,758	(13,558)
Debt service			
Principal	15,500	38,433	(22,933)
Interest	-	2,926	(2,926)
<b>Total expenditures</b>	<b>513,450</b>	<b>488,202</b>	<b>25,248</b>
Excess of revenues over (under) expenditures	36,037	87,989	51,952
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	-	14,140	14,140
Transfers	(36,037)	-	36,037
Refund of prior years revenues	-	(2,631)	(2,631)
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>99,498</u>	<u>\$ 99,498</u>
Fund balance, beginning		<u>178,012</u>	
Fund balance, ending		<u>\$ 277,510</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, 2014, 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, 2013 (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, 2013 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 2013, 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  
March 3, 2015

RICHLAND BOROUGH  
GENERAL FUND - SCHEDULES OF REVENUES - MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<b>TAXES</b>		
Real estate, current year	\$ 186,330	\$ 187,803
Real estate, prior years	1,465	1,197
Local services tax	27,886	26,022
Per capita taxes, current year	3,958	4,400
Real estate transfer tax	26,395	15,543
Earned income tax	154,470	140,416
Total taxes	400,504	375,381
<b>LICENSES AND PERMITS</b>		
Zoning permits	210	432
Cable television	13,651	13,463
Total licenses and permits	13,861	13,895
<b>FINES</b>		
	1,409	3,150
<b>INTEREST AND RENTS</b>		
Interest earned on time deposits and savings accounts	75	142
<b>GRANTS AND GIFTS</b>		
Fireman's Relief Grant	9,300	9,837
Municipal Pension System	7,745	7,769
Snow removal	19,166	24,103
Public Utility Realty	-	461
Liquor license fees	250	250
Total grants and gifts	36,461	42,420
<b>CHARGES FOR SERVICES</b>		
Refuse collection	121,876	151,303
<b>OTHER REVENUE</b>		
Miscellaneous	2,005	2,511
Total revenues	\$ 576,191	\$ 588,802

RICHLAND BOROUGH  
GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<b>ADMINISTRATION</b>		
Salaries, mayor	\$ 150	\$ 75
Salary, township secretary	11,345	19,362
Material and supplies	752	2,980
General expense	8,809	4,815
Legal and accounting fees	28,262	20,839
Telephone	2,371	2,561
Engineering services	1,410	2,443
	<hr/>	<hr/>
Total administration	53,099	53,075
	<hr/>	<hr/>
<b>TAX COLLECTION</b>		
Commissions	-	112
Material and supplies	516	397
	<hr/>	<hr/>
Total tax collection	516	509
	<hr/>	<hr/>
<b>MUNICIPAL BUILDING</b>		
General expenses	423	5,222
Material and supplies	3,118	2,016
Utilities	8,356	8,365
Repairs and maintenance	1,453	12,226
	<hr/>	<hr/>
Total municipal building	13,350	27,829
	<hr/>	<hr/>
<b>PROTECTION TO PERSONS AND PROPERTY</b>		
Police	209	993
Contribution to volunteer fire company	10,000	13,600
Fireman's Relief Fund	9,300	9,837
Emergency management	1,063	1,063
Zoning	-	244
	<hr/>	<hr/>
Total protection to persons and property	20,572	25,737
	<hr/>	<hr/>
<b>HIGHWAYS AND STREETS</b>		
Salaries and wages	77,644	95,359
Material and supplies	7,128	5,141
Repairs and maintenance of equipment	13,144	31,436
Vehicle operation	4,989	7,544
Equipment rental	-	2,584
Street lights	36,444	35,004
Capital improvements	5,522	12,569
Snow removal	19,155	11,041
	<hr/>	<hr/>
Total highways and streets	164,026	200,678
	<hr/>	<hr/>

RICHLAND BOROUGH  
 GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS *(continued)*  
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
PUBLIC WORKS - OTHER		
Refuse collection	124,978	123,562
CULTURE AND RECREATION	7,518	12,408
OTHER EXPENDITURES		
Employee payroll taxes and benefits	57,758	48,526
Insurance	5,026	10,919
Debt service		
Principal	38,433	13,441
Interest	2,926	1,962
Total other expenditures	104,143	74,848
Total expenditures	\$ 488,202	\$ 518,646