

**RICHLAND BOROUGH**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

RICHLAND BOROUGH  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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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, 2016, 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, 2016, 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 opinion 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, and historical pension information on pages 29 – 33 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  
March 16, 2017

RICHLAND BOROUGH  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 500,828	\$ 337,580	\$ 838,408
Internal balances	11,736	(11,736)	-
Total current assets	\$ 512,564	\$ 325,844	\$ 838,408
<u>LIABILITIES AND NET POSITION</u>			
<b>CURRENT LIABILITIES</b>			
Escrow liability	\$ -	\$ -	\$ -
Total current liabilities	-	-	-
<b>NET POSITION</b>			
Unrestricted	424,111	325,844	749,955
Restricted, Highway Aid	87,807	-	87,807
Restricted, Fire Tax	646	-	646
Total net position	512,564	325,844	838,408
Total liabilities and net position	\$ 512,564	\$ 325,844	\$ 838,408

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 54,780	\$ -	\$ -	\$ -
Public safety	40,504	22,135	8,896	-
Public works	270,459	135,288	83,187	-
Culture and recreation	7,531	-	-	-
Insurance	14,977	-	-	-
Employee benefits	84,226	-	8,749	-
Debt service				
Principal	40,196	-	-	-
Interest	1,783	-	-	-
Total governmental activities	514,456	157,423	100,832	-
Business-type activities				
Water	185,487	289,833	-	-
Total primary government	\$ 699,943	\$ 447,256	\$ 100,832	\$ -

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 expenses

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
\$ (54,780)	\$ -	\$ (54,780)
(9,473)	-	(9,473)
(51,984)	-	(51,984)
(7,531)	-	(7,531)
(14,977)	-	(14,977)
(75,477)	-	(75,477)
(40,196)	-	(40,196)
(1,783)	-	(1,783)
(256,201)	-	(256,201)
-	104,346	104,346
(256,201)	104,346	(151,855)
188,967	-	188,967
159,558	-	159,558
28,257	-	28,257
3,940	-	3,940
14,748	-	14,748
26,253	-	26,253
164	92	256
2,555	-	2,555
9,441	-	9,441
(2,631)	-	(2,631)
431,252	92	431,344
175,051	104,438	279,489
337,513	221,406	558,919
\$ 512,564	\$ 325,844	\$ 838,408

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
 BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 DECEMBER 31, 2016

	General	Highway Aid	Other Governmental Fund	Total Governmental Funds
<u>ASSETS</u>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 412,375	\$ 87,807	\$ 646	\$ 500,828
Due from other funds	11,736	-	-	11,736
Total current assets	\$ 424,111	\$ 87,807	\$ 646	\$ 512,564
<u>LIABILITIES AND FUND BALANCES</u>				
<b>CURRENT LIABILITIES</b>				
Escrow payable	\$ -	\$ -	\$ -	\$ -
Total current liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Restricted	-	87,807	646	88,453
Unassigned	424,111	-	-	424,111
Total fund balances	424,111	87,807	646	512,564
Total liabilities and fund balances	\$ 424,111	\$ 87,807	\$ 646	\$ 512,564

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, 2016

	General	Highway Aid	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 406,545	\$ -	\$ 19,664	\$ 426,209
Licenses and permits	15,198	-	-	15,198
Fines	1,771	-	-	1,771
Interest and rents	101	62	1	164
Grants and gifts	57,659	43,853	-	101,512
Charges for services	135,288	-	-	135,288
Other revenue	2,555	-	-	2,555
Refund of prior year expenditures	9,441	-	-	9,441
<b>Total revenues</b>	<b>628,558</b>	<b>43,915</b>	<b>19,665</b>	<b>692,138</b>
<b>EXPENDITURES</b>				
General government	54,780	-	-	54,780
Public safety	21,485	-	19,019	40,504
Public works	270,459	-	-	270,459
Culture and recreation	7,531	-	-	7,531
Insurance	14,977	-	-	14,977
Employee benefits	84,226	-	-	84,226
Debt service				
Principal	40,196	-	-	40,196
Interest	1,783	-	-	1,783
<b>Total expenditures</b>	<b>495,437</b>	<b>-</b>	<b>19,019</b>	<b>514,456</b>
Excess (deficiency) of revenues over expenses	133,121	43,915	646	177,682
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of prior years revenues	(2,631)	-	-	(2,631)
<b>Total other financing sources (uses)</b>	<b>(2,631)</b>	<b>-</b>	<b>-</b>	<b>(2,631)</b>
Net change in fund balances	130,490	43,915	646	175,051
Fund balances, beginning	293,621	43,892	-	337,513
Fund balances, ending	\$ 424,111	\$ 87,807	\$ 646	\$ 512,564

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS  
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 337,580
Total current assets	<u>\$ 337,580</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Due to other funds	<u>\$ 11,736</u>
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NET POSITION

Unrestricted	<u>325,844</u>
Total liabilities and net position	<u>\$ 337,580</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, 2016

	Water Fund
<b>OPERATING REVENUES</b>	
Water rents	\$ 249,143
Total operating revenues	249,143
<b>OPERATING EXPENSES</b>	
Wages	29,963
Payroll taxes	2,292
Employee benefits	8,642
Utilities	10,146
Chemicals	7,328
Pumping and distribution	3,912
Repairs and maintenance	4,899
Accounting	1,118
Legal	580
Engineering	23,269
Insurance	4,578
Telephone	678
Supplies	10,366
Total operating expenses	107,771
Operating income	141,372
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest paid	(15,721)
Principal payments on debt	(61,995)
Sale of assets	40,690
Investment income	92
Total nonoperating revenues (expenses)	(36,934)
Change in net position	104,438
Net position, beginning	221,406
Net position, ending	\$ 325,844

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 249,143
Payroll and benefits	(40,897)
Goods and services	(64,206)
	144,040
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments	(61,995)
Interest payment	(15,721)
	(77,716)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of assets	40,690
Interest income	92
	40,782
Net cash provided by investing activities	40,782
Net change in cash and cash equivalents	107,106
Cash and cash equivalents, beginning	230,474
Cash and cash equivalents, ending	\$ 337,580
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 141,372
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase (decrease) in	
Due to other funds	2,668
	2,668
Net cash provided by operating activities	\$ 144,040

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	\$ 255,558	\$ 206,309	\$ 461,867
<b>NET POSITION</b>			
Restricted for pension benefits	\$ 255,558	\$ 206,309	\$ 461,867
Total net position	\$ 255,558	\$ 206,309	\$ 461,867

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	20	30,905	30,925
Investment income (loss)	2,267	(482)	1,785
<b>Total additions</b>	<b>2,287</b>	<b>38,265</b>	<b>40,552</b>
<b>DEDUCTIONS</b>			
Benefit payments	26,539	5,724	32,263
Administrative expenses	5,138	4,981	10,119
<b>Total deductions</b>	<b>31,677</b>	<b>10,705</b>	<b>42,382</b>
<b>Change in net position</b>	<b>(29,390)</b>	<b>27,560</b>	<b>(1,830)</b>
<b>Net position restricted for pension benefits</b>			
Beginning (as restated)	284,948	178,749	463,697
<b>Ending</b>	<b>\$ 255,558</b>	<b>\$ 206,309</b>	<b>\$ 461,867</b>

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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 are 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.

Non-Major Governmental Funds

- 1) Fire Protection Fund – This fund is utilized to account for financial resources to be used for capital acquisitions, equipment, supplies and maintenance for the volunteer fire company in the community.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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, 2016

**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, 2016

**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, 2016

**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. Any unused sick days will be paid 1 day for every 3 days remaining upon termination. The liability for compensated absences as of December 31, 2016, totaled \$16,467.

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, 2016

**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 \$838,408, including petty cash of \$100, and the bank balance was \$838,618, of which \$250,000 was fully insured and \$588,618 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 2016 was 1.89 mills (\$1.89 per \$1,000 assessed value). The schedule for property taxes levied for 2016 is as follows:

Tax levy date	March 1, 2016
2% discount period	Through April 30, 2016
Face payment period	Through June 30, 2016
10% penalty period	Beginning July 1, 2016
Lien filing date	January 1, 2017

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**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.

In November 2016, the Borough entered an agreement with Jonestown Bank & Trust Company for \$250,000 to construct a well for the water system. The note is interest only at 4.5% through the completion of construction or one year, whichever occurs first, followed by interest at a fixed 4.5% for 72 months with quarterly principal and interest payments of \$8,507, thereafter interest will adjust annually to the prime rate with a maximum rate of 4.75%. The note is secured by the full faith, credit and taxing power of the Borough. Payments on the debt are recorded as expenditures in the water fund. As of December 31, 2016, no amounts have been drawn on the Note.

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

	Balance 12/31/15	Issues or Additions	Payments or Retirements	Balance 12/31/16
<b>Water Fund</b>				
First Citizens Community Bank 2002 Series	\$ 213,793	\$ -	\$ (28,054)	\$ 185,739
First Citizens Community Bank 2011 Series	151,078	-	(33,941)	117,137
<b>Total Water Fund</b>	<b>\$ 364,871</b>	<b>\$ -</b>	<b>\$ (61,995)</b>	<b>\$ 302,876</b>
<b>General Fund</b>				
First Citizens Community Bank Note	\$ 57,386	\$ -	\$ (40,195)	\$ 17,191
<b>Total General Fund</b>	<b>\$ 57,386</b>	<b>\$ -</b>	<b>\$ (40,195)</b>	<b>\$ 17,191</b>

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 4 – LONG-TERM DEBT** *(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			
2017	13,062	64,653	\$ 77,715
2018	10,123	67,592	77,715
2019	7,046	70,669	77,715
2020	4,155	41,846	46,001
2021	2,226	36,356	38,582
2022-2026	745	21,760	22,505
	<u>\$ 37,357</u>	<u>\$ 302,876</u>	<u>\$ 340,233</u>
General Fund			
2017	\$ 1,069	\$ 17,191	\$ 18,260

**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 \$1,994 for the year ended December 31, 2016.

**NOTE 6 – PENSION PLANS**

Richland Borough contributes to two single employer, defined benefit pension plans that cover the employees of the Borough: The Non-Uniformed Pension Plan and the Police 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.

Basis of Accounting

The plans' financial statements are prepared on the accrual basis of accounting. Contributions to the plans are recognized when due as required by the Act. Benefits are recognized when due and payable in accordance with the terms of the individual plans.

RICHLAND BOROUGH  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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

Method used to Value Investments

Investments are reported at fair value. The Plans’ assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by Governmental Accounting Standards Board for aggregate PMRS investments are included in PMRS’ separately issued CAFR.

Funding Standards and State Aid

The Borough is required to make annual contributions to the plan pursuant to Act 205, which specifies minimum funding standards for municipal pension plans in the Commonwealth. Act 205 requires the Borough to budget and contribute to the plan the minimum municipal obligation, which includes both the normal cost of the plan and an amortization contribution sufficient to amortize unfunded liabilities by target dates established under the Act.

Act 205 also establishes a general municipal pension system state aid program, financed by a tax on the premiums of casualty and fire insurance policies sold in the Commonwealth. The Borough is eligible for this aid for each of its pension plans; however, the ultimate obligation to contribute the minimum municipal obligation to the plans is the Borough’s.

Plan Membership

Membership of each plan consisted of the following at December 31, 2014, the date of the latest actuarial valuations:

	Non-Uniformed 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	-	-
	1	3
Total	1	3

Plan Administration

The plans are governed by Borough Council which may amend plan provisions, subject to collective bargaining and to Act 600, *the Municipal Police Pension Law* and Act 205, *the Municipal Pension Plan Funding Standard and Recovery Act*, for the Uniformed and Non-Uniformed plans respectively. The Plans participate in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

Benefits Provided

The Non-Uniformed Plan covers all of the Borough's general full-time employees, and provides retirement, disability, and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement upon attaining age 65. Retirement benefits are calculated by multiplying the member's final salary by all years of credited service and multiplied by the benefit accrual rate of 2%. Upon death, a survivor monthly annuity death benefit will be paid to the member's surviving spouse equal to the amount that would have been paid had the member terminated employment on the date of death and was eligible for retirement with a qualified joint and 50% survivor annuity in effect. Active members who become disabled are eligible for disability pension benefits equal to 50% of the member's average salary on date of disability.

The Police Pension Plan covers all full-time members of the police force upon employment, and provides retirement, disability, and death benefits to plan members and their beneficiaries.

Members are eligible for normal retirement upon attaining age 55 and 25 years of accrual service. The normal retirement benefit is calculated multiplying the member's final salary by all years of credited service and multiplied by the benefit accrual rate of 2.4% not to exceed 60% of member's final salary; plus 2.5% of average compensation times full years of service in excess of 25 (maximum \$100 per month). Upon death, the retiree's spouse or eligible child receives a benefit equal to 50% of the member's benefit. Active members who become disabled in the line of duty are eligible for disability pension benefits equal to 50% of the member's final one month salary prior to the date of disability offset by social security benefits and any disability insurance benefit payable which is funded by the plan. If an active member is eligible for retirement on the date of death, monthly death benefits are payable to his/her surviving spouse or eligible child equal to 50% of the monthly benefit the member would have been receiving if retired at the time of death.

The plan administrator will only take into account the first \$265,000 of compensation, as adjusted for cost-of-living increases in accordance with IRC Section 402(a)(17) of any participant's annual compensation for determining all benefits provided under the plan for the applicable 12 month period.

Vesting

Non-Uniformed Plan member's benefits vest upon completion of 7 years of vesting service. Police Plan member's benefits vest upon completion of 12 years of vesting service.

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. Contributions include \$7,842 in state pension aid for the year ended December 31, 2015.

Investments and administrative expenses are paid through investment earnings.



RICHLAND BOROUGH  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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

Concentrations

Concentrations are defined as investments held by the Plan, other than those issued or explicitly guaranteed by the U.S. Government, in any one organization that represents 5% or more of the plan’s fiduciary net position. At December 31, 2015, there were no concentrations of investments in the Plan.

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return on Non-Uniformed and Police Pension Plans’ investments, net of pension plan investment expense, was -0.27%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Policy

The Plans’ policy in regard to the allocation of invested assets is established and may be amended by PMRS’s Board. The following was the PMRS’s adopted asset allocation policy for the Plan as of December 31, 2015:

Asset Class	Target Allocation	Expected Real Rate of Return
Equities		
Large capitalized firms	25.0%	ND
Small capitalized firms	15.0	ND
International developed markets	15.0	ND
Emerging markets	10.0	ND
Fixed income	15.0	ND
Real estate	12.5	ND
Timberland	7.5	ND
	<hr/>	
	100.0%	
	<hr/> <hr/>	

ND - Not disclosed by PMRS

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

Pension Expense

Pension expense calculated under GASB 68 for the Plan at December 31, 2015, was as follows:

Year Ended December 31, 2015	Non-Uniformed Pension	Police Pension
Service cost	\$ 10,868	\$ -
Interest on the total pension liability	22,385	16,903
Change of benefit terms	-	-
Difference between expected and actual experience	-	-
Changes of assumptions	331	3,676
Member contributions	-	-
Projected earnings on pension plan investments	(14,812)	(19,863)
Difference between projected and actual earnings on investments	1,995	(117)
Pension plan administrative expense	4,981	5,138
Other changes in fiduciary net position	-	-
	<hr/>	<hr/>
Pension expense	<u>\$ 25,748</u>	<u>\$ 5,737</u>

Net Pension Liability

The components of the net pension liability of the Plans at December 31, 2015, were as follows:

Description	Non-Uniformed	Police Pension
Total Pension Liability	\$ 429,792	\$ 314,460
Plan Fiduciary Net Position	206,309	255,558
	<hr/>	<hr/>
Net Pension Liability	<u>\$ 223,483</u>	<u>\$ 58,902</u>
	<hr/>	<hr/>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	48%	81%

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

For the year ended December 31, 2015, the Borough would recognized pension expense of \$25,748 and \$5,737 for the Non-Uniformed and Police Pension plans under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, respectively. At December 31, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Non-Uniformed Plan from the following sources:

Non-Uniformed Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	2,977	-
Net difference between projected and actual investment earnings	9,041	-
Contributions subsequent to the measurement date	46,485	-
	\$ 58,503	\$ -

At December 31, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Police Pension Plan from the following sources:

Police Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	3,168	-
Contributions subsequent to the measurement date	-	-
	\$ 3,168	\$ -

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

The Borough reported \$46,485 and \$-0- for the Non-Uniformed Plan and Police Pension plans, respectively, as deferred outflows of resources related to pensions resulting from Borough’s contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Non-Uniformed Pension	Police Pension
2016	\$ 2,326	\$ (117)
2017	2,326	(117)
2018	2,324	(118)
2019	3,389	3,520
2020	331	-
Thereafter	1,322	-
	<u>\$ 12,018</u>	<u>\$ 3,168</u>

Sensitivity of the Township’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Non-Uniformed Plan’s net pension liability calculated using the discount rate of 5.50%, as well as what the Borough’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net pension liability	\$ 308,886	\$ 223,483	\$ 152,416

The following presents the Police Pension Plan’s net pension liability calculated using the discount rate of 5.50%, as well as what the Borough’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
Net pension liability	\$ 87,701	\$ 58,902	\$ 34,043

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

Actuarial Assumptions

	<u>Non-Uniformed Pension</u>	<u>Police Pension</u>
Actuarial Valuation Date	January 1, 2013	January 1, 2013
Actuarial Cost Method	Entry age	Entry age
Amortization Method	Level Dollar based upon the amortization periods in Act 205	Level Dollar based upon the amortization periods in Act 205
Asset Valuation Method	Based upon the municipal reserves	Based upon the municipal reserves
Pre-Retirement Mortality	RP 2000, Males 1 year set back Females 5 year set back	RP 2000, Males 1 year set back Females 5 year set back
Post-Retirement Mortality	Sex-distinct RP-2000 combined healthy mortality	Sex-distinct RP-2000 combined healthy mortality
Actuarial Assumptions		
Discount Rate	5.50%	5.50%
Inflation	3.00%	3.00%
Projected Salary Increases	Age-related scale for merit/seniority including inflation	Age-related scale for merit/seniority including inflation
COLA Increases	3.00% for those eligible for a COLA	3.00% for those eligible for a COLA

**NOTE 7 – CONTINGENCIES AND COMMITMENTS**

In 2016, the Borough entered into agreements to guarantee a certain portion of the 2016 Guaranteed Sewer Revenue Bonds 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 2014 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, 2016, 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.

RICHLAND BOROUGH  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**NOTE 7 – CONTINGENCIES AND COMMITMENTS** *(Continued)*

In 2016, the Borough entered a contract with PPL Electric Utilities Corporation (the Corporation), under the contract the Corporation will convert the Borough's street lights to LED fixtures and maintain them for the fifteen year term of the agreement for a fixed monthly rate specified in the contract.

Risk of litigation being brought against the Borough is inherent in its normal course of business. As of the date of this report, there are two cases outstanding.

While the outcome of the above noted proceedings cannot be predicted the Borough feels that any settlement or judgment would not have a material adverse effect on the financial condition of the Borough.

**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.

**NOTE 9 – NET ASSET RESTATEMENT**

The beginning net assets of the pension funds have been restated to conform to the presentation for GASB 68 reporting.

**REQUIRED SUPPLEMENTARY INFORMATION**

RICHLAND BOROUGH  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL - MAJOR FUNDS - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 365,500	\$ 406,545	\$ 41,045
Licenses and permits	13,000	15,198	2,198
Fines	1,000	1,771	771
Interest and rents	50	101	51
Grants and gifts	29,637	57,659	28,022
Charges for services	124,300	135,288	10,988
Other revenue	-	2,555	2,555
<b>Total revenues</b>	<b>533,487</b>	<b>619,117</b>	<b>85,630</b>
<b>EXPENDITURES</b>			
General government	\$ 86,420	\$ 54,780	31,640
Public safety	11,900	21,485	(9,585)
Public works	289,275	270,459	18,816
Culture and recreation	8,000	7,531	469
Insurance	16,500	14,977	1,523
Employee benefits	67,200	84,226	(17,026)
Debt service			
Principal	22,000	40,196	(18,196)
Interest	-	1,783	(1,783)
<b>Total expenditures</b>	<b>501,295</b>	<b>495,437</b>	<b>5,858</b>
Excess of revenues over (under) expenditures	32,192	123,680	91,488
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	(15,000)	-	15,000
Refund of prior years expenditures	-	9,441	9,441
Refund of prior years revenues	-	(2,631)	(2,631)
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ 17,192</u>	130,490	<u>\$ 113,298</u>
Fund balance, beginning		<u>293,621</u>	
Fund balance, ending		<u>\$ 424,111</u>	

See accompanying notes to the financial statements.



Special Revenue Funds			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 365,500	\$ 406,545	\$ 41,045
-	-	-	13,000	15,198	2,198
-	-	-	1,000	1,771	771
-	62	62	50	163	113
39,078	43,853	4,775	68,715	101,512	32,797
-	-	-	124,300	135,288	10,988
-	-	-	-	2,555	2,555
39,078	43,915	4,837	572,565	663,032	90,467
-	-	-	86,420	54,780	31,640
-	-	-	11,900	21,485	(9,585)
-	-	-	289,275	270,459	18,816
-	-	-	8,000	7,531	469
-	-	-	16,500	14,977	1,523
-	-	-	67,200	84,226	(17,026)
-	-	-	22,000	40,196	(18,196)
-	-	-	-	1,783	(1,783)
-	-	-	501,295	495,437	5,858
39,078	43,915	4,837	71,270	167,595	96,325
-	-	-	(15,000)	-	15,000
-	-	-	-	9,441	9,441
-	-	-	-	(2,631)	(2,631)
<u>\$ 39,078</u>	43,915	<u>\$ 4,837</u>	<u>\$ 56,270</u>	174,405	<u>\$ 118,135</u>
	<u>43,892</u>			<u>337,513</u>	
	<u>\$ 87,807</u>			<u>\$ 511,918</u>	

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
SCHEDULE OF EMPLOYER CONTRIBUTIONS -  
NON-UNIFORMED AND POLICE PENSION PLANS

NON-UNIFORMED PENSION PLAN

Year	Actuarially Determined Contribution	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
December 31, 2007	\$ 9,767	\$ 9,767	\$ -	\$ 79,333	12.3%
December 31, 2008	8,831	8,831	-	79,333	11.1
December 31, 2009	8,726	8,726	-	83,031	10.5
December 31, 2010	12,146	12,340	194	83,031	14.9
December 31, 2011	12,709	12,709	-	88,172	14.4
December 31, 2012	15,533	15,533	-	88,172	17.6
December 31, 2013	15,532	15,532	-	90,538	17.2
December 31, 2014	19,357	19,359	2	102,323	18.9
December 31, 2015	19,647	38,747	19,100	103,802	37.3
December 31, 2016	14,505	46,485	31,980	\$ 111,026	41.9

POLICE PENSION PLAN

Year	Actuarially Determined Contribution	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
December 31, 2007	\$ -	\$ -	\$ -	\$ 44,224	N/A
December 31, 2008	-	-	-	44,224	N/A
December 31, 2009	-	-	-	-	N/A
December 31, 2010	-	-	-	-	N/A
December 31, 2011	-	-	-	-	N/A
December 31, 2012	-	-	-	-	N/A
December 31, 2013	-	-	-	-	N/A
December 31, 2014	-	-	-	-	N/A
December 31, 2015	-	20	20	-	N/A
December 31, 2016	-	20	20	-	N/A

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
NON-UNIFORMED AND POLICE PENSION PLANS

Non-Uniformed Pension Plan	12/31/2015	12/31/2014
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 10,868	\$ 10,713
Interest	22,385	20,950
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	3,308	-
Benefit payments, including refunds of employee contributions	(5,724)	(5,723)
Net change in total pension liability	30,837	25,940
Total pension liability, beginning	398,955	373,015
Total pension liability, ending	<u>\$ 429,792</u>	<u>\$ 398,955</u>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions, employer	\$ 38,747	\$ 19,359
Contributions, employee	-	-
Net investment income	(482)	14,328
Benefit payments, including refunds of employee contributions	(5,724)	(5,723)
Administrative expense	(4,981)	(12,292)
Other	-	-
Net change in plan fiduciary net position	27,560	15,672
Plan fiduciary net position, beginning	178,749	163,077
Plan fiduciary net position, ending	<u>\$ 206,309</u>	<u>\$ 178,749</u>
Township's net pension liability, ending	<u>\$ 223,483</u>	<u>\$ 220,206</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.00%</u>	<u>44.80%</u>
Covered employee payroll	<u>\$ 103,802</u>	<u>\$ 102,323</u>
Township's net pension liability as a percentage of covered employee payroll	<u>215.30%</u>	<u>215.21%</u>

See accompanying notes to the financial statements.

RICHLAND BOROUGH  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
NON-UNIFORMED AND POLICE PENSION PLANS

Police Pension Plan	12/31/2015	12/31/2014
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ -	\$ -
Interest	16,903	17,405
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	3,676	-
Benefit payments, including refunds of employee contributions	(26,539)	(26,539)
Net change in total pension liability	(5,960)	(9,134)
Total pension liability, beginning	320,420	329,554
Total pension liability, ending	<u>\$ 314,460</u>	<u>\$ 320,420</u>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions, employer	\$ 20	\$ -
Contributions, employee	-	-
Net investment income	2,267	33,119
Benefit payments, including refunds of employee contributions	(26,539)	(26,539)
Administrative expense	(5,138)	(12,463)
Other	-	-
Net change in plan fiduciary net position	(29,390)	(5,883)
Plan fiduciary net position, beginning	284,948	290,831
Plan fiduciary net position, ending	<u>\$ 255,558</u>	<u>\$ 284,948</u>
Township's net pension liability, ending	<u>\$ 58,902</u>	<u>\$ 35,472</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.27%</u>	<u>88.93%</u>
Covered employee payroll	<u>\$ -</u>	<u>\$ -</u>
Township's net pension liability as a percentage of covered employee payroll	<u>N/A</u>	<u>N/A</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, 2016, 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, 2015 (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, 2015 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 2015, 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 16, 2017

RICHLAND BOROUGH  
GENERAL FUND - SCHEDULES OF REVENUES - MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>TAXES</b>		
Real estate, current year	\$ 186,911	\$ 187,187
Real estate, prior years	2,056	978
Local services tax	28,257	28,381
Per capita taxes, current year	3,930	4,499
Per capita taxes, prior year	10	103
Real estate transfer tax	25,823	19,669
Earned income tax	159,558	145,838
	406,545	386,655
<b>LICENSES AND PERMITS</b>		
Zoning permits	450	100
Cable television	14,748	14,394
	15,198	14,494
<b>FINES</b>		
	1,771	1,454
<b>INTEREST AND RENTS</b>		
Interest earned on time deposits and savings accounts	101	81
<b>GRANTS AND GIFTS</b>		
Fireman's Relief Grant	8,896	8,948
Municipal Pension System	8,749	7,842
Snow removal	37,815	6,057
Lebanon County Liquid Fuels Allocation	1,519	-
Public Utility Realty	430	-
Liquor license fees	250	250
	57,659	23,097
<b>CHARGES FOR SERVICES</b>		
Refuse collection	135,288	124,012
<b>OTHER REVENUE</b>		
Refund of prior year expenditures	9,441	-
Miscellaneous	2,555	567
	11,996	567
<b>Total revenues</b>	<b>\$ 628,558</b>	<b>\$ 550,360</b>

RICHLAND BOROUGH  
GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>ADMINISTRATION</b>		
Salaries, mayor	\$ 150	\$ 150
Salary, township secretary	12,031	11,303
Material and supplies	726	565
General expense	6,867	8,557
Legal and accounting fees	25,344	38,673
Telephone	2,366	2,230
Engineering services	518	666
	<hr/>	<hr/>
Total administration	48,002	62,144
	<hr/>	<hr/>
<b>TAX COLLECTION</b>		
Material and supplies	-	452
	<hr/>	<hr/>
Total tax collection	-	452
	<hr/>	<hr/>
<b>MUNICIPAL BUILDING</b>		
General expenses	1,655	1,957
Material and supplies	40	8,112
Utilities	4,892	8,758
Repairs and maintenance	191	1,061
	<hr/>	<hr/>
Total municipal building	6,778	19,888
	<hr/>	<hr/>
<b>PROTECTION TO PERSONS AND PROPERTY</b>		
Police	1,526	791
Contribution to volunteer fire company	10,000	10,000
Fireman's Relief Fund	8,896	8,948
Emergency management	1,063	1,063
Zoning	-	4,764
	<hr/>	<hr/>
Total protection to persons and property	21,485	25,566
	<hr/>	<hr/>
<b>HIGHWAYS AND STREETS</b>		
Salaries and wages	78,621	78,430
Material and supplies	2,590	7,692
Repairs and maintenance of equipment	2,270	5,354
Vehicle operation	5,581	7,584
Street lights	35,371	36,425
Capital improvements	-	108
Storm water managemetn	148	-
Equipment rental	130	-
Snow removal	12,819	20,715
	<hr/>	<hr/>
Total highways and streets	137,530	156,308
	<hr/>	<hr/>



RICHLAND BOROUGH  
 GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS *(Continued)*  
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
PUBLIC WORKS - OTHER		
Refuse collection	132,929	124,652
CULTURE AND RECREATION	7,531	8,482
OTHER EXPENDITURES		
Employee payroll taxes and benefits	84,226	80,689
Insurance	14,977	12,258
Debt service		
Principal	40,196	38,131
Interest	1,783	3,048
Total other expenditures	141,182	134,126
Total expenditures	\$ 495,437	\$ 531,618