

**RICHLAND BOROUGH
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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DECEMBER 31, 2017

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Vincent M. Garcia, CPA
Matthew P. Garman, CPA
Angela K. Shea, 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, 2017, 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, 2017, 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 is not modified with respect to the 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 26, 2018

RICHLAND BOROUGH
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 692,507	\$ 151,791	\$ 844,298
Internal balances	4,015	-	4,015
Total current assets	\$ 696,522	\$ 151,791	\$ 848,313
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Internal balances	\$ -	4,015	\$ 4,015
Total current liabilities	-	4,015	4,015
NET POSITION			
Unrestricted	581,139	147,776	728,915
Restricted, Highway Aid	114,419	-	114,419
Restricted, Fire Tax	964	-	964
Total net position	696,522	147,776	844,298
Total liabilities and net position	\$ 696,522	\$ 151,791	\$ 848,313

See accompanying notes to the financial statements.

RICHLAND BOROUGH
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 71,273	\$ -	\$ -	\$ -
Public safety	62,007	42,002	11,642	-
Public works	324,067	120,981	61,999	-
Culture and recreation	16,393	-	-	-
Insurance	17,116	-	-	-
Employee benefits	104,955	-	9,177	-
Debt service				
Principal	17,191	-	-	-
Interest	237	-	-	-
Total governmental activities	613,239	162,983	82,818	-
Business-type activities				
Water	423,250	244,989	-	-
Total primary government	\$ 1,036,489	\$ 407,972	\$ 82,818	\$ -

General revenues

Taxes

- Property taxes, levied for general purpose
- Earned income taxes, levied for general purpose
- Local services tax, levied for general purpose
- Other enabling taxes, levied for general purpose
- Franchise taxes
- Public service taxes

Investment earnings

Other revenue

Refund of prior years revenue

Total general revenues, special items, and transfers

Change in net position

Net position, beginning

Net position, ending

See accompanying notes to the financial statements.

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

Governmental Activities	Business-type Activities	Total
\$ (71,273)	\$ -	\$ (71,273)
(8,363)	-	(8,363)
(141,087)	-	(141,087)
(16,393)	-	(16,393)
(17,116)	-	(17,116)
(95,778)	-	(95,778)
(17,191)	-	(17,191)
(237)	-	(237)
(367,438)	-	(367,438)
-	(178,261)	(178,261)
(367,438)	(178,261)	(545,699)
250,723	-	250,723
161,488	-	161,488
28,096	-	28,096
4,975	-	4,975
15,503	-	15,503
26,004	-	26,004
583	193	776
66,655	-	66,655
(2,631)	-	(2,631)
551,396	193	551,589
183,958	(178,068)	5,890
512,564	325,844	838,408
\$ 696,522	\$ 147,776	\$ 844,298

See accompanying notes to the financial statements.

RICHLAND BOROUGH
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
DECEMBER 31, 2017

	General	Highway Aid	Other Governmental Fund	Total Governmental Funds
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 577,175	\$ 114,419	\$ 913	\$ 692,507
Due from other funds	4,015	-	51	4,066
Total current assets	\$ 581,190	\$ 114,419	\$ 964	\$ 696,573
<u>LIABILITIES AND FUND BALANCES</u>				
CURRENT LIABILITIES				
Due to other funds	\$ 51	\$ -	\$ -	\$ 51
Total current liabilities	51	-	-	51
FUND BALANCES				
Restricted	-	114,419	964	115,383
Unassigned	581,139	-	-	581,139
Total fund balances	581,139	114,419	964	696,522
Total liabilities and fund balances	\$ 581,190	\$ 114,419	\$ 964	\$ 696,573

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, 2017

	General	Highway Aid	Other Governmental Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 470,889	\$ -	\$ 39,300	\$ 510,189
Licenses and permits	15,818	-	-	15,818
Fines	2,137	-	-	2,137
Interest and rents	399	181	3	583
Grants and gifts	37,578	45,887	-	83,465
Charges for services	120,981	-	-	120,981
Other revenue	66,655	-	-	66,655
Refund of prior year expenditures	-	-	-	-
Total revenues	714,457	46,068	39,303	799,828
EXPENDITURES				
General government	71,273	-	-	71,273
Public safety	23,022	-	38,985	62,007
Public works	304,611	19,456	-	324,067
Culture and recreation	16,393	-	-	16,393
Insurance	17,116	-	-	17,116
Employee benefits	104,955	-	-	104,955
Debt service				
Principal	17,191	-	-	17,191
Interest	237	-	-	237
Total expenditures	554,798	19,456	38,985	613,239
Excess (deficiency) of revenues over expenses	159,659	26,612	318	186,589
OTHER FINANCING SOURCES (USES)				
Refund of prior years revenues	(2,631)	-	-	(2,631)
Total other financing sources (uses)	(2,631)	-	-	(2,631)
Net change in fund balances	157,028	26,612	318	183,958
Fund balances, beginning	424,111	87,807	646	512,564
Fund balances, ending	\$ 581,139	\$ 114,419	\$ 964	\$ 696,522

See accompanying notes to the financial statements.

RICHLAND BOROUGH
STATEMENT OF NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 151,791
Total current assets	<u>\$ 151,791</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Due to other funds	\$ 4,015
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NET POSITION

Unrestricted	<u>147,776</u>
Total liabilities and net position	<u>\$ 151,791</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, 2017

	Water Fund
OPERATING REVENUES	
Water rents	\$ 238,117
Total operating revenues	238,117
OPERATING EXPENSES	
Wages	32,040
Payroll taxes	2,451
Employee benefits	12,467
Capital expenditures	74,362
Utilities	9,518
Chemicals	4,002
Pumping and distribution	4,440
Repairs and maintenance	26,184
Accounting	1,144
Legal	1,180
Engineering	10,973
Insurance	4,621
Telephone	1,182
Supplies	6,828
Total operating expenses	191,392
Operating income	46,725
NON-OPERATING REVENUES (EXPENSES)	
Interest paid	(10,916)
Principal payments on debt	(220,942)
Insurance proceeds	6,592
Sale of assets	280
Investment income	193
Total nonoperating revenues (expenses)	(224,793)
Change in net position	(178,068)
Net position, beginning	325,844
Net position, ending	\$ 147,776

See accompanying notes to the financial statements.

RICHLAND BOROUGH
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 238,117
Payroll and benefits	(46,958)
Goods and services	<u>(152,155)</u>
Net cash provided by operating activities	<u>39,004</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments	(220,942)
Interest payment	<u>(10,916)</u>
Net cash used in capital and related financing activities	<u>(231,858)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Insurance proceeds	6,592
Proceeds from sale of assets	280
Interest income	<u>195</u>
Net cash provided by investing activities	<u>7,067</u>
Net change in cash and cash equivalents	(185,787)
Cash and cash equivalents, beginning	<u>337,578</u>
Cash and cash equivalents, ending	<u><u>\$ 151,791</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 46,725
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase (decrease) in	
Due to other funds	<u>(7,721)</u>
Net cash provided by operating activities	<u><u>\$ 39,004</u></u>

See accompanying notes to the financial statements.

RICHLAND BOROUGH
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2016

	Police Pension Fund	Non-uniformed Pension Fund	Total
ASSETS			
Investments	\$ 254,306	\$ 237,581	\$ 491,887
NET POSITION			
Restricted for pension benefits	\$ 254,306	\$ 237,581	\$ 491,887
Total net position	\$ 254,306	\$ 237,581	\$ 491,887

See accompanying notes to the financial statements.

RICHLAND BOROUGH
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Police Pension Fund	Non-Uniformed Pension Fund	Total
ADDITIONS			
Contributions, State aid	\$ -	\$ 8,749	\$ 8,749
Contributions, employer	-	37,756	37,756
Investment income (loss)	26,013	(11,146)	14,867
Total additions	26,013	35,359	61,372
DEDUCTIONS			
Benefit payments	26,539	3,385	29,924
Administrative expenses	726	702	1,428
Total deductions	27,265	4,087	31,352
Change in net position	(1,252)	31,272	30,020
Net position restricted for pension benefits			
Beginning	255,558	206,309	461,867
Ending	\$ 254,306	\$ 237,581	\$ 491,887

See accompanying notes to the financial statements.

RICHLAND BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017

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 uniformed pension plan, which accumulates resources for pension benefits payments to qualified employees.
- 2) Non-Uniformed Pension Fund – This fund accounts for the activities of the non-uniformed 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, 2017

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, 2017

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, 2017

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, 2017, totaled \$17,738.

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, 2017

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 \$844,299, including petty cash of \$100, and the bank balance was \$845,019, of which \$250,000 was fully insured and \$595,019 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 2017 was 1.89 mills (\$1.89 per \$1,000 assessed value). The schedule for property taxes levied for 2017 is as follows:

Tax levy date	March 1, 2017
2% discount period	Through April 30, 2017
Face payment period	Through June 30, 2017
10% penalty period	Beginning July 1, 2017
Lien filing date	January 1, 2018

RICHLAND BOROUGH
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

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. The note was paid in full in 2017.

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. The note was paid in full in 2017.

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, 2017, no amounts have been drawn on the Note.

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

	Balance 12/31/16	Issues or Additions	Payments or Retirements	Balance 12/31/17
Water Fund				
First Citizens Community Bank 2002 Series	\$ 185,739	\$ -	\$ (185,739)	\$ -
First Citizens Community Bank 2011 Series	117,137	-	(35,203)	81,934
Total Water Fund	\$ 302,876	\$ -	\$ (220,942)	\$ 81,934
General Fund				
First Citizens Community Bank Note	\$ 17,191	\$ -	\$ (17,191)	\$ -
Total General Fund	\$ 17,191	\$ -	\$ (17,191)	\$ -

RICHLAND BOROUGH
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 4 – LONG-TERM DEBT *(Continued)*

Principal and interest requirements to maturity, for each of the three subsequent years are as follows:

Fiscal year ending December 31,	Interest	Principal	Combined Total
Water Fund			
2018	2,560	36,574	39,134
2019	1,169	37,965	39,134
2020	56	7,395	7,451
	<u>\$ 3,785</u>	<u>\$ 81,934</u>	<u>\$ 85,719</u>

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 \$2,210 for the year ended December 31, 2017.

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-Uniformed 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, 2017

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, 2015, 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
Terminated employees entitled to benefits but not yet receiving them	-	-
Total	2	1

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, 2017

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 \$8,749 in state pension aid for the year ended December 31, 2016.

Investments and administrative expenses are paid through investment earnings.

RICHLAND BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2016, there were no concentrations of investments in the Plan.

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on Non-Uniformed and Police Pension Plans’ investments, net of pension plan investment expense, was 8.23%. 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, 2016:

Asset Class	Target Allocation	Expected Real Rate of Return
Equities		
Large capitalized firms	25.0%	6.4%
Small capitalized firms	15.0	7.0%
International developed markets	15.0	3.7%
Emerging markets	10.0	7.9%
Fixed income	20.0	7.0%
Real estate	15.0	2.4%
	<u>100.0%</u>	

RICHLAND BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – PENSION PLANS *(Continued)*

Pension Expense

Pension expense calculated under GASB 68 for the Plan at December 31, 2016, was as follows:

Year Ended December 31, 2016	Non-Uniformed Pension	Police Pension
Service cost	\$ 10,441	\$ -
Interest on the total pension liability	24,121	16,575
Change of benefit terms	-	-
Difference between expected and actual experience	(1,503)	4,917
Changes of assumptions	2,262	6,519
Member contributions	-	-
Projected earnings on pension plan investments	(13,108)	(14,413)
Difference between projected and actual earnings on investments	6,846	(2,437)
Pension plan administrative expense	702	726
Other changes in fiduciary net position	-	-
	<hr/>	<hr/>
Pension expense	<u>\$ 29,761</u>	<u>\$ 11,887</u>

Net Pension Liability

The components of the net pension liability of the Plans at December 31, 2016, were as follows:

Description	Non-Uniformed	Police Pension
Total Pension Liability	\$ 465,685	\$ 315,932
Plan Fiduciary Net Position	237,581	254,306
	<hr/>	<hr/>
Net Pension Liability	<u>\$ 228,104</u>	<u>\$ 61,626</u>
	<hr/>	<hr/>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	51%	80%

RICHLAND BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – PENSION PLANS *(Continued)*

For the year ended December 31, 2016, the Borough would recognized pension expense of \$29,761 and \$11,887 for the Non-Uniformed and Police Pension Plans under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, respectively. At December 31, 2016, 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	\$ -	\$ 15,025
Changes in assumptions	21,959	-
Net difference between projected and actual investment earnings	26,449	-
Contributions subsequent to the measurement date	60,766	-
	<u>\$ 109,174</u>	<u>\$ 15,025</u>

At December 31, 2016, 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	-	5,995
Contributions subsequent to the measurement date	-	-
	<u>\$ -</u>	<u>\$ 5,995</u>

RICHLAND BOROUGH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – PENSION PLANS *(Continued)*

The Borough reported \$60,766 and \$-0- for the Non-Uniformed Plan and Police Pension Plan, 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, 2016. 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
2017	\$ 7,605	\$ (2,437)
2018	7,603	(2,438)
2019	8,668	1,200
2020	5,609	(2,320)
2021	759	-
Thereafter	3,139	-
	<u>\$ 33,383</u>	<u>\$ (5,995)</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 5.25%, 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 (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net pension liability	\$ 323,181	\$ 228,104	\$ 148,657

The following presents the Police Pension Plan’s net pension liability calculated using the discount rate of 5.25%, 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 (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net pension liability	\$ 90,228	\$ 61,626	\$ 36,885

RICHLAND BOROUGH
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

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, 2017, 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, 2017

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 three 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 expenditures related to damage of playground equipment attributed to the Borough's expenditures exceeding the appropriation in culture and recreation.

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, 2017

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 425,500	\$ 470,889	\$ 45,389
Licenses and permits	13,000	15,818	2,818
Fines	1,000	2,137	1,137
Interest and rents	50	399	349
Grants and gifts	19,800	37,578	17,778
Charges for services	124,300	120,981	(3,319)
Other revenue	1,519	66,655	65,136
Total revenues	585,169	714,457	129,288
EXPENDITURES			
General government	\$ 78,553	\$ 71,273	7,280
Public safety	22,737	23,022	(285)
Public works	301,585	304,611	(3,026)
Culture and recreation	8,000	16,393	(8,393)
Insurance	18,550	17,116	1,434
Employee benefits	104,200	104,955	(755)
Debt service			
Principal	22,000	17,191	4,809
Interest	-	237	(237)
Total expenditures	555,625	554,798	827
Excess of revenues over (under) expenditures	29,544	159,659	130,115
OTHER FINANCING SOURCES (USES)			
Transfers	(15,000)	-	15,000
Refund of prior years expenditures	-	-	-
Refund of prior years revenues	(12,862)	(2,631)	10,231
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ 1,682</u>	157,028	<u>\$ 155,346</u>
Fund balance, beginning		<u>424,111</u>	
Fund balance, ending		<u>\$ 581,139</u>	

See accompanying notes to the financial statements.

Special Revenue Funds			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 425,500	\$ 470,889	\$ 45,389
-	-	-	13,000	15,818	2,818
-	-	-	1,000	2,137	1,137
-	181	181	50	580	530
44,926	45,887	961	64,726	83,465	18,739
-	-	-	124,300	120,981	(3,319)
-	-	-	1,519	66,655	65,136
44,926	46,068	1,142	630,095	760,525	130,430
-	-	-	78,553	71,273	7,280
-	-	-	22,737	23,022	(285)
10,000	19,456	(9,456)	311,585	324,067	(12,482)
-	-	-	8,000	16,393	(8,393)
-	-	-	18,550	17,116	1,434
-	-	-	104,200	104,955	(755)
-	-	-	22,000	17,191	4,809
-	-	-	-	237	(237)
10,000	19,456	(9,456)	565,625	574,254	(8,629)
34,926	26,612	(8,314)	64,470	186,271	121,801
-	-	-	(15,000)	-	15,000
-	-	-	-	-	-
-	-	-	(12,862)	(2,631)	10,231
<u>\$ 34,926</u>	26,612	<u>\$ (8,314)</u>	<u>\$ 36,608</u>	183,640	<u>\$ 147,032</u>
	<u>87,807</u>			<u>511,918</u>	
	<u>\$ 114,419</u>			<u>\$ 695,558</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, 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	46,505	32,000	111,037	41.9
December 31, 2017	11,390	32,957	21,567	108,786	30.3

POLICE PENSION PLAN

Year	Actuarially Determined Contribution	Contributions From Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
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
December 31, 2017	-	-	-	-	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	12/31/2016	12/31/2015
TOTAL PENSION LIABILITY		
Service cost	\$ 10,441	\$ 10,868
Interest	24,121	22,385
Changes of benefit terms	-	-
Differences between expected and actual experience	(16,528)	-
Changes of assumptions	21,244	3,308
Benefit payments, including refunds of employee contributions	(3,385)	(5,724)
Net change in total pension liability	<u>35,893</u>	<u>30,837</u>
Total pension liability, beginning	<u>429,792</u>	<u>398,955</u>
Total pension liability, ending	<u><u>\$ 465,685</u></u>	<u><u>\$ 429,792</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions, employer	\$ 46,505	\$ 38,747
Contributions, employee	-	-
Net investment income	(11,146)	(482)
Benefit payments, including refunds of employee contributions	(3,385)	(5,724)
Administrative expense	(702)	(4,981)
Other	-	-
Net change in plan fiduciary net position	<u>31,272</u>	<u>27,560</u>
Plan fiduciary net position, beginning	<u>206,309</u>	<u>178,749</u>
Plan fiduciary net position, ending	<u><u>\$ 237,581</u></u>	<u><u>\$ 206,309</u></u>
Township's net pension liability, ending	<u><u>\$ 228,104</u></u>	<u><u>\$ 223,483</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u>51.02%</u>	<u>48.00%</u>
Covered employee payroll	<u><u>\$ 111,037</u></u>	<u><u>\$ 103,802</u></u>
Township's net pension liability as a percentage of covered employee payroll	<u>205.43%</u>	<u>215.30%</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 *(Continued)*

Police Pension Plan	12/31/2016	12/31/2015
TOTAL PENSION LIABILITY		
Service cost	\$ -	\$ -
Interest	16,575	16,903
Changes of benefit terms	-	-
Differences between expected and actual experience	4,917	-
Changes of assumptions	6,518	3,676
Benefit payments, including refunds of employee contributions	(26,539)	(26,539)
Net change in total pension liability	1,471	(5,960)
Total pension liability, beginning	314,460	320,420
 Total pension liability, ending	 \$ 315,931	 \$ 314,460
 PLAN FIDUCIARY NET POSITION		
Contributions, employer	\$ -	\$ 20
Contributions, employee	-	-
Net investment income	26,013	2,267
Benefit payments, including refunds of employee contributions	(26,539)	(26,539)
Administrative expense	(726)	(5,138)
Other	-	-
Net change in plan fiduciary net position	(1,252)	(29,390)
Plan fiduciary net position, beginning	255,558	284,948
 Plan fiduciary net position, ending	 \$ 254,306	 \$ 255,558
 Township's net pension liability, ending	 \$ 61,625	 \$ 58,902
 Plan fiduciary net position as a percentage of the total pension liability	 80.49%	 81.27%
 Covered employee payroll	 \$ -	 \$ -
 Township's net pension liability as a percentage of covered employee payroll	 N/A	 N/A

See accompanying notes to the financial statements.

SUPPLEMENTAL INFORMATION



Vincent M. Garcia, CPA
Matthew P. Garman, CPA
Angela K. Shea, 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, 2017, 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 relates 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, 2016 (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, 2016 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 2016, 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 26, 2018

RICHLAND BOROUGH
GENERAL FUND - SCHEDULES OF REVENUES - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
TAXES		
Real estate, current year	\$ 247,373	\$ 186,911
Real estate, prior years	3,350	2,056
Local services tax	28,096	28,257
Per capita taxes, current year	3,904	3,930
Per capita taxes, prior year	1,071	10
Real estate transfer tax	25,607	25,823
Earned income tax	161,488	159,558
	470,889	406,545
LICENSES AND PERMITS		
Zoning permits	315	450
Cable television	15,503	14,748
	15,818	15,198
FINES		
	2,137	1,771
INTEREST AND RENTS		
Interest earned on time deposits and savings accounts	399	101
GRANTS AND GIFTS		
Fireman's Relief Grant	11,642	8,896
Municipal Pension System	9,177	8,749
Snow removal	16,112	37,815
Lebanon County Liquid Fuels Allocation	-	1,519
Public Utility Realty	397	430
Liquor license fees	250	250
	37,578	57,659
CHARGES FOR SERVICES		
Refuse collection	120,981	135,288
OTHER REVENUE		
Refund of prior year expenditures	-	9,441
Miscellaneous	66,655	2,555
	66,655	11,996
Total revenues	\$ 714,457	\$ 628,558

RICHLAND BOROUGH
GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
ADMINISTRATION		
Salaries, mayor	\$ 150	\$ 150
Salary, township secretary	12,752	12,031
Material and supplies	634	726
General expense	4,979	6,867
Bank fees	120	-
Legal and accounting fees	25,791	25,344
Telephone	2,394	2,366
Engineering services	5,854	518
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Total administration	52,674	48,002
MUNICIPAL BUILDING		
General expenses	159	1,655
Material and supplies	272	40
Utilities	5,606	4,892
Repairs and maintenance	12,562	191
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Total municipal building	18,599	6,778
PROTECTION TO PERSONS AND PROPERTY		
Police	317	1,526
Contribution to volunteer fire company	10,000	10,000
Fireman's Relief Fund	11,642	8,896
Emergency management	1,063	1,063
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Total protection to persons and property	23,022	21,485
HIGHWAYS AND STREETS		
Salaries and wages	83,368	78,621
Material and supplies	1,856	2,590
Repairs and maintenance of equipment	5,604	2,270
Vehicle operation	4,972	5,581
Street lights	34,073	35,371
Capital expenditures	38,344	-
Storm water management	1,487	148
Equipment rental	-	130
Snow removal	11,509	12,819
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Total highways and streets	181,213	137,530

RICHLAND BOROUGH
GENERAL FUND - SCHEDULES OF EXPENDITURES - MODIFIED CASH BASIS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
PUBLIC WORKS - OTHER		
Refuse collection	123,398	132,929
CULTURE AND RECREATION	16,393	7,531
OTHER EXPENDITURES		
Employee payroll taxes and benefits	104,955	84,226
Insurance	17,116	14,977
Debt service		
Principal	17,191	40,196
Interest	237	1,783
Total other expenditures	139,499	141,182
Total expenditures	\$ 554,798	\$ 495,437