

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2012**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**DECEMBER 31, 2012**

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**INDEPENDENT AUDITOR'S REPORT**

To The Mayor and Members of Council  
Borough of Columbia  
Columbia, Pennsylvania

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Columbia as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Borough's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; 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 error or fraud.

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.

### Basis for Qualified Opinion

The financial statements referred to above include only the primary government of the Borough of Columbia, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Borough's legal entity. The financial statements do not include financial data for the Borough's legally separate component units, which accounting principles generally accepted in the United States of America, as applied to the Borough's modified cash basis of accounting, require to be reported with the financial data of the Borough's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the modified cash basis financial position of the reporting entity of the Borough of Columbia as of December 31, 2012, and the changes in its modified cash basis financial position, for the year then ended in conformity with the basis of accounting described in Note 1. In accordance with accounting principles generally accepted in the United States of America, the Borough of Columbia intends to issue separate reporting entity financial statements.

### Qualified Opinion

In our opinion, except for the omission described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the Borough of Columbia, as of December 31, 2012, and the respective changes in modified cash basis financial position, thereof for the year then ended in conformity with the 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 principle generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### Other Matters

Management has not presented the management's discussion and analysis that governmental 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 and 27 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. The budgetary comparison is prepared on the modified cash basis of accounting, which is an other comprehensive basis of accounting, and is presented as other information. We have applied certain limited procedures to the other 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's modified cash basic financial statements. The combining fiduciary fund financial statements and statements of changes in fund balance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fiduciary fund financial statements and statements of changes in fund balance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Sager, Swisher and Company, LLP*

Columbia, Pennsylvania  
April 10, 2013

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
DECEMBER 31, 2012**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 3,941,287
<b>TOTAL ASSETS</b>	<u>\$ 3,941,287</u>
<b>LIABILITIES</b>	
Due to Authority	\$ 182,336
Payroll Withholdings	20
Deposits and Escrows	<u>255,090</u>
<b>TOTAL LIABILITIES</b>	<u>437,446</u>
<b>NET POSITION</b>	
Restricted	473,777
Unrestricted	<u>3,030,064</u>
<b>TOTAL NET POSITION</b>	<u>3,503,841</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,941,287</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Primary Government</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b>Primary Government</b>					
Governmental Activities					
General Government	\$ 609,677	\$ 305,687	\$ --	\$ --	\$ (303,990)
Public Safety	2,618,547	227,838	166,221	--	(2,224,488)
Sanitation	--	16,317	11,786	--	28,103
Highways and Streets	871,543	66,762	--	260,687	(544,094)
Other Services	116,006	22,298	--	--	(93,708)
Culture and Recreation	176,602	2,261	5,040	455,509	286,208
Debt Service	173,969	--	--	--	(173,969)
Employee Benefits, Insurance and Other	457,176	24,435	203,838	--	(228,903)
Miscellaneous Expenses	<u>2,883</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,883)</u>
<b>Total Primary Government</b>	<u>\$ 5,026,403</u>	<u>\$ 665,598</u>	<u>\$ 386,885</u>	<u>\$ 716,196</u>	<u>(3,257,724)</u>
<b>General Revenues</b>					
					2,875,800
					1,200,959
					17,200
					17,871
					11,833
					<u>9,552</u>
					<u>4,133,215</u>
					875,491
					<u>2,628,350</u>
					<u>\$ 3,503,841</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**BALANCE SHEET – MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>Major Funds</b>		<b>Nonmajor Funds</b>	
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Liquid Fuels Funds</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 3,504,731	\$ 378,692	\$ 57,864	\$ 3,941,287
Due from Other Funds	--	17,588	--	17,588
Due from Authority	--	1,820	--	1,820
	<b>3,504,731</b>	<b>398,100</b>	<b>57,864</b>	<b>3,960,695</b>
	<b>3,504,731</b>	<b>398,100</b>	<b>57,864</b>	<b>3,960,695</b>
	<b>\$ 3,504,731</b>	<b>\$ 398,100</b>	<b>\$ 57,864</b>	<b>\$ 3,960,695</b>
<b>LIABILITIES</b>				
Due to Other Funds	\$ 17,588	\$ --	\$ --	\$ 17,588
Due to Authority	184,156	--	--	184,156
Payroll Withholdings	20	--	--	20
Deposits and Escrows	255,090	--	--	255,090
	<b>456,854</b>	<b>--</b>	<b>--</b>	<b>456,854</b>
	<b>456,854</b>	<b>--</b>	<b>--</b>	<b>456,854</b>
<b>FUND BALANCES</b>				
Restricted	17,813	398,100	57,864	473,777
Assigned	625,880	--	--	625,880
Unassigned	2,404,184	--	--	2,404,184
	<b>3,047,877</b>	<b>398,100</b>	<b>57,864</b>	<b>3,503,841</b>
	<b>3,047,877</b>	<b>398,100</b>	<b>57,864</b>	<b>3,503,841</b>
	<b>\$ 3,504,731</b>	<b>\$ 398,100</b>	<b>\$ 57,864</b>	<b>\$ 3,960,695</b>
	<b>\$ 3,504,731</b>	<b>\$ 398,100</b>	<b>\$ 57,864</b>	<b>\$ 3,960,695</b>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2012**

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Liquid Fuels Funds</u>	
<b>REVENUES</b>				
Real Estate Taxes and Penalties	\$ 2,875,800	\$ --	\$ --	\$ 2,875,800
Other Taxes	1,085,242	--	--	1,085,242
Licenses and Permits	122,039	--	--	122,039
Fines and Forfeits	155,335	--	--	155,335
Interest, Rents and Royalties	33,353	748	30	34,131
Intergovernmental Revenue	373,382	514,632	189,020	1,077,034
Charges for Services	447,580	7,367	--	454,947
Contributions	24,847	18,400	--	43,247
Miscellaneous Revenue	31,637	--	272	31,909
	<u>5,149,215</u>	<u>541,147</u>	<u>189,322</u>	<u>5,879,684</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
General Government	571,999	37,678	--	609,677
Public Safety	2,617,786	761	--	2,618,547
Highways and Streets	594,411	54,179	222,953	871,543
Other Services	66,156	49,850	--	116,006
Culture and Recreation	64,756	111,846	--	176,602
Debt Service	2,439	171,530	--	173,969
Employee Benefits, Insurance and Other	457,176	--	--	457,176
Miscellaneous Expenditures	2,883	--	--	2,883
	<u>4,377,606</u>	<u>425,844</u>	<u>222,953</u>	<u>5,026,403</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>771,609</u>	<u>115,303</u>	<u>(33,631)</u>	<u>853,281</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Refund of Prior Year Expenditures	4,339	--	--	4,339
Sale of Fixed Assets	344	17,527	--	17,871
	<u>4,683</u>	<u>17,527</u>	<u>--</u>	<u>22,210</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
<b>Change in Fund Balances</b>	776,292	132,830	(33,631)	875,491
<b>Fund Balances – January 1, 2012</b>	<u>2,271,585</u>	<u>265,270</u>	<u>91,495</u>	<u>2,628,350</u>
<b>Fund Balances – December 31, 2012</b>	<u>\$ 3,047,877</u>	<u>\$ 398,100</u>	<u>\$ 57,864</u>	<u>\$ 3,503,841</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF FIDUCIARY NET POSITION  
MODIFIED CASH BASIS – FIDUCIARY FUNDS  
DECEMBER 31, 2012**

	<u>Pension Trust</u>		
	<u>Non- Uniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Private Purpose Trust Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ --	\$ --	\$ 4,116
Investments	<u>951,135</u>	<u>5,264,878</u>	<u>113,970</u>
<b>TOTAL ASSETS</b>	<u>\$ 951,135</u>	<u>\$ 5,264,878</u>	<u>\$ 118,086</u>
<b>LIABILITIES</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<b>NET POSITION</b>			
Restricted for			
Pension Benefits	951,135	5,264,878	--
Other Projects	<u>--</u>	<u>--</u>	<u>118,086</u>
<b>TOTAL NET POSITION</b>	<u>951,135</u>	<u>5,264,878</u>	<u>118,086</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 951,135</u>	<u>\$ 5,264,878</u>	<u>\$ 118,086</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
MODIFIED CASH BASIS – FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2012**

	<u>Pension Trust</u>		
	<u>Non- Uniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>			
State Contributions – Act 205	\$ --	\$ 203,838	\$ --
Municipal Contributions	81,058	46,879	3,000
Investment Income	83,126	616,855	14,834
Employee Contributions	--	40,242	--
Donations	--	--	2,000
Membership Dues	--	--	2,685
	<u>164,184</u>	<u>907,814</u>	<u>22,519</u>
<b>TOTAL ADDITIONS</b>			
<b>DEDUCTIONS</b>			
Distributions and Benefit Payments	154,860	240,775	--
Administrative Fees	--	24,250	--
Culture and Recreation	--	--	25,475
Miscellaneous Expenses	--	--	1,300
	<u>154,860</u>	<u>265,025</u>	<u>26,775</u>
<b>TOTAL DEDUCTIONS</b>			
<b>Change in Net Position</b>	9,324	642,789	(4,256)
<b>Net Position – January 1, 2012</b>	<u>941,811</u>	<u>4,622,089</u>	<u>122,342</u>
<b>Net Position – December 31, 2012</b>	<u>\$ 951,135</u>	<u>\$ 5,264,878</u>	<u>\$ 118,086</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Columbia were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body of the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

**A. Reporting Entity**

In evaluating the Borough as a reporting entity, management has addressed all potential component units, which may or may not fall within the Borough's financial accountability. The criteria used to evaluate component units for possible inclusion of the Borough's reporting entity are financial accountability and the nature and significance of the relationship.

Based on the above criteria, the following is a component unit of the Borough:

Columbia Municipal Authority (the Authority) – The Authority was created to finance, construct and maintain adequate sewage treatment facilities for the Borough of Columbia. On January 1, 2001, the Authority was converted to an operating Authority. The Borough appoints members to the Municipal Authority and the Authority provides services primarily for the benefit of the Borough. Complete financial statements of the Authority are available at the office of the Borough.

This report includes all the funds of the Borough of Columbia with the exception of the Columbia Municipal Authority. The Authority is further described in Note 9.

**B. Fund Accounting**

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

**C. Basis of Presentation**

**Government-wide financial statements** (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately in the government-wide financial statements.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Borough's governmental activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund financial statements are also provided in the report for all of the governmental funds and the fiduciary funds of the Borough. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The Borough reports the following major governmental funds:

The general fund is the Borough's principal operating fund used to account for all financial resources except those required to be in another fund.

The capital projects fund is used to account for financial resources related to general fixed asset acquisitions, construction and improvements. This fund includes the Capital Improvement Fund.

Additionally, the Borough reports the following nonmajor governmental fund:

The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. This fund includes the Liquid Fuels Fund.

Fiduciary Fund Types are used to account for the assets held by the Borough as a trustee or agent for individuals, private organizations and/or governmental units. The funds included in this category are:

Private Purpose Trust Funds are used to account for assets held the by Borough as agent for others. These funds include the Tree Commission Fund and the William F. Lockard Trust Fund.

The Pension Trust Funds provide benefits for Borough employees. The principal revenue source for these funds is state contributions. The funds included in this category are the police pension funds and the non-uniform pension fund.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements regardless of measurement focus.

The Borough's accounts are maintained, and these statements are presented, on the modified cash basis of accounting under which income collected, costs and expenses paid, assets, liabilities, fund balance and net assets arising as a result of cash transactions or from the acquisition of long-lived assets, for cash are recognized. Receivables, payables, and deferred expenses, which may be material in amount, are not reflected in the accompanying financial statements which are not intended to present the financial position or the results of operations in conformity with generally accepted accounting principles. Receivables and payables from developer escrows resulting from cash transactions are reflected in these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**E. Budgets and Budgetary Accounting**

An operating budget is adopted every year for the general fund on a modified cash basis of accounting. The general fund is the only fund for which a budget is legally required.

Appropriations lapse at the end of the year. Board approval is required for budget amendments. In order to preserve a portion of an appropriation for which an expenditure has been committed by purchase order, contract, or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at the year-end are reported as reservations of fund balances. As of December 31, 2012, the Borough had no encumbrances.

The Borough Council may make new appropriations, supplementary appropriations and transfers from one appropriation to another during the fiscal year, provided it is within the current year's revenues or from funds made available from additional borrowings.

**F. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

**G. Capital Assets**

Capital assets are not recorded and are considered an expenditure when purchased. No depreciation has been provided for in these financial statements.

**H. Long-Term Debt**

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and the payment of principal and interest are reported as expenditures.

**I. Estimates**

The preparation of financial statements in conformity with an other comprehensive basis of accounting requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Cash, Cash Equivalents and Investments**

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

All investments are stated at cost, which approximates fair value.

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. During the year ended December 31, 2012, the Borough did not have any deferred outflows of resources.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. During the year ended December 31, 2012, the Borough did not have any deferred inflows of resources.

L. Net Position Flow Assumption

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources. It is the Borough's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

M. Fund Balance Policy

The Borough implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to address issues related to how fund balance was being reported. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable – amounts that are not in spendable form (such as inventory) or required to be legally or contractually maintained intact,

Restricted – amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed – amounts that can be used only for the specific purposes determined by a formal action of the Borough Council (the borough's highest level of decision making authority). The Council is required to also take formal action to modify or rescind the commitment,

Assigned – amounts intended to be used by the Borough for specific purposes that are neither restricted nor committed. Assignments can be made by the governing body itself or by its designee,

Unassigned – residual classification for the Borough's general fund and includes all spendable amounts not contained in the other classifications.

Committed Fund Balance Policy

The Borough's committed fund balances are amounts required to be reported by the Borough Council, either because of policy or because of motions that passed at council meetings.

As of December 31, 2012, the Borough's committed fund was \$-0-.

Assigned Fund Balance Policy

The Borough's assigned fund balances are amounts the Borough intends to use for a specific purpose as expressed by the Borough Manager. The Borough adopted a Fund Balance Policy in November 2011 authorizing the Borough Manager to assign fund balance.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Order of Fund Balance Spending Policy

The Borough's policy is to first apply restricted fund balance, then committed, assigned, and unassigned, respectively when an expenditure is incurred for purposes for which amounts in any of these classifications could be used.

Minimum Fund Balance

The Borough's policy is to strive to maintain an unassigned fund balance of not less than seventeen percent (17%) of the budgeted expenditures for the fiscal year. If the unassigned portion of the fund balance falls below the threshold of ten percent (10%) of the budgeted expenditures, the Council will pursue options of increasing revenue and decreasing expenditures, or a combination of both until the ten percent (10%) minimum is attained.

N. Date of Management's Review

Management has evaluated subsequent events through April 10, 2013, the date the financial statements were available to be issued.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including obligations of (1) the United States of America or any of its agencies or instrumentalities back by full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation are authorized to the extent that such accounts are so insured and, for an amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in a variety of investments as determined by the respective boards.

**Cash**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a policy for custodial credit risk. As of December 31, 2012, \$3,453,211 of the Borough's bank balance of \$3,732,330 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$	--
Collateralized with securities held by the pledging financial institution		--
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name		<u>3,453,211</u>
		<u>\$ 3,453,211</u>

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 3,453,211
Plus: Insured Amount	279,119
Deposits in Transit	73,212
Less: Outstanding Checks	<u>(225,911)</u>
 Carrying Amount - Bank Balances	 3,579,631
Plus: PA Invest - Money Market	301,588
PLGIT - Liquid Fuels Fund	63,959
Cash on Hand	<u>225</u>
<b>Total Cash per Financial Statements</b>	<b><u>\$ 3,945,403</u></b>

Interest Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Management does monitor rates of returns for investments on a monthly basis.

Credit Risk

The Borough does not have an investment policy that would limit its investment choices to certain credit ratings.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2012, none of the Borough's investments of \$113,970 was exposed to custodial risk.

In 2008, the Federal Deposit Insurance Corporation (FDIC) insurance coverage increased to \$250,000. In November 2010, the FDIC implemented provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provide for unlimited insurance of noninterest bearing transaction accounts. During the period December 31, 2010 through December 31, 2012 all noninterest bearing transaction accounts were fully insured by FDIC insurance.

Beginning January 1, 2013, all interest and noninterest bearing demand accounts are aggregated in total by financial institution and are fully insured up to \$250,000. Time and savings accounts also have FDIC insurance coverage up to \$250,000.

Investments

As of December 31, 2012, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Wells Fargo - Investment Account (Lockard Trust)	\$ <u>113,970</u>
	<u>\$ 113,970</u>

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk – Deposits and Investments

More than 5% of the Borough's governmental and private purpose trust fund deposits and investments are held at various banks. The total deposits and investments were invested in the various financial institutions as follows:

<u>Financial Institution</u>	<u>Deposit Amount</u>	<u>Concentration Percentage</u>
Susquehanna Bank	\$ 3,716,931	88.25%
PA Invest	301,588	7.16%
Banks less than 5%	<u>193,328</u>	<u>4.59%</u>
	<u>\$ 4,211,847</u>	<u>100.00%</u>

NOTE 3 – INVESTMENTS - PENSION TRUST FUNDS

**Investments**

As of December 31, 2012, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>	
<u>Police Pension Fund</u>		
Principal Financial Group	\$ 5,264,878	84.70%
<u>Non-Uniformed Pension Fund</u>		
Prudential	<u>951,135</u>	<u>15.30%</u>
	<u>\$ 6,216,013</u>	<u>100.00%</u>

**Credit Risk**

The Borough does not have an investment policy that would limit its investment choices to certain credit ratings.

NOTE 4 – PROPERTY TAXES AND TAXES RECEIVABLE

The Borough of Columbia did not report taxes receivable or deferred taxes under the modified cash basis of accounting. The amount of real estate taxes receivable at December 31, 2012 were \$243,467, all of which was estimated to be collectible by management. The real estate taxes receivable decreased by \$27,165 over the previous year balance of \$270,632.

Property taxes are levied as of January 1 on property values assessed by the county as of the same date. The Borough of Columbia's tax rate for the year ended on December 31, 2012 was 8.00 mills (\$8.00 per \$1,000 of assessed valuation). A 2% discount is given on taxes paid prior to May 1, the face amount is payable May 1 – June 30 and a 10% penalty is assessed on payment received after June 30. Unpaid taxes as of December 31<sup>st</sup> are submitted to the tax claim bureau for collection on January 15<sup>th</sup> of the year following assessment.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 5 – LONG-TERM DEBT

The Borough of Columbia did not report long-term debt on the face of the statements under the modified cash basis of accounting.

The annual changes in the long-term debt are as follows:

	<u>Bonds/Notes Payable</u>	<u>Compensated Absences</u>	<u>Long-Term Debt</u>
Beginning of Year	\$ 2,439,765	\$ 153,669	\$ 2,593,434
Principal Retirement	(57,567)	--	(57,567)
Increase (Decrease) in Compensated Absences	--	33,714	33,714
End of Year	<u>\$ 2,382,198</u>	<u>\$ 187,383</u>	<u>\$ 2,569,581</u>

Long-term debt consists of the following:

	<u>December 31, 2012</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Series 2006 - USDA General Obligation Bond	\$ 2,313,271	4.125%	6/1/2046
Series 2010 - General Obligation Note	<u>68,927</u>	2.950%	8/31/2015
	<u>\$ 2,382,198</u>		

Long-term debt consists of the Series of 2006 general obligation bond issued by the United States Department of Agriculture (USDA) and the Series of 2010 issued by PNC Bank. The USDA general obligation bond was to provide funds to finance capital projects (Route 462 Curbs and Sidewalks) and will be repayed with semi-annual installments of \$64,100 over a period of 40 years. The Series of 2010 General Obligation Note was issued in July 2010 in the amount of \$125,000. The purpose of this note was to purchase police vehicles and to complete several projects within the Borough. The note has a five-year term and an interest rate fixed at 2.95%.

The calculated future annual payments required to amortize the USDA General Obligation Bond outstanding as of December 31, 2012 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 33,034	\$ 95,166	\$ 128,200
2014	34,410	93,790	128,200
2015	35,844	92,356	128,200
2016	37,338	90,862	128,200
2017	38,894	89,306	128,200
2018-2022	220,180	420,820	641,000
2023-2027	270,047	370,953	641,000
2028-2032	331,209	309,791	641,000
2033-2037	406,222	234,778	641,000
2038-2042	498,226	142,774	641,000
2043-2046	<u>407,867</u>	<u>34,221</u>	<u>442,088</u>
	<u>\$ 2,313,271</u>	<u>\$ 1,974,817</u>	<u>\$ 4,288,088</u>

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 5 – LONG-TERM DEBT (Continued)

The calculated future annual payments required to amortize the Series of 2010 General Obligation Note outstanding as of December 31, 2012 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 25,225	\$ 1,695	\$ 26,920
2014	25,979	941	26,920
2015	<u>17,723</u>	<u>196</u>	<u>17,919</u>
	<u>\$ 68,927</u>	<u>\$ 2,832</u>	<u>\$ 71,759</u>

The Borough of Columbia also issued and guarantees the General Obligation Note, Series of 2001 on behalf of the Columbia Municipal Authority. The note was to provide funds to finance capital projects of the sewage treatment and transportation facilities. The note was issued for \$1,450,000 and is payable over 20 years until 2024. The interest rate is fixed at 4.32% until July 1, 2009. A variable rate equal to 64% of the "Wall Street Journal Prime Rate" will be used thereafter and adjusted annually. The interest rate as of December 31, 2012 was 2.08%. As of December 31, 2012, the balance of the note was \$832,070 and is reported on the financial statements of the Authority.

The Borough of Columbia issued and guarantees the General Obligation Bonds, Series of 2010 on behalf of the Columbia Municipal Authority. The bond proceeds are to provide funds to upgrade the existing sewer plant. The bonds were issued for \$12,000,000 and bear interest rates ranging from 1.899% to 7.554%. The bonds are set to mature in 2041. The balance outstanding as of December 31, 2012 was \$11,750,000 and is reported on the financial statements of the Authority.

Compensated Absences

Accrued compensated absences consist of accrued vacation/paid leave of \$187,383. The accrued vacation/paid leave is computed for all employees who had not used all of their allowable vacation time as of December 31, 2012. Vacation/paid leave is payable to all employees regardless of how their employment with the Borough is terminated. The accrued sick leave liability calculated at retirement was \$20,882. Accrued sick leave is calculated for the retirement liabilities as stated in the union contracts.

NOTE 6 – DUE TO/FROM OTHER FUNDS AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2012 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ --	\$ 17,588
Capital Improvement Fund	<u>17,588</u>	<u>--</u>
	<u>\$ 17,588</u>	<u>\$ 17,588</u>

The interfund balance between the General Fund and Capital Improvement Fund represents amounts owed for normal operating costs to be reimbursed.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 7 – PENSION PLANS

POLICE PENSION PLAN

Plan Description

The Borough of Columbia currently has a single-employer defined benefit police pension plan for full-time police employees. The police pension plan was established by and enrolled in the Pennsylvania Municipal Ordinance Retirement Law, Act of February 1, 1974. P.L. 34. No. 15.

Eligibility Requirements and Benefits Descriptions

All full-time police employees of the Borough of Columbia are eligible to participate in the pension plan from the date of employment with the Borough's police force. A participant is eligible for normal retirement after attainment of age 50 and upon completion of 25 years of service. At December 31, 2012, there were sixteen employees covered by the plan and nine retirees receiving retirement benefits.

Contributions and Funding Policy

The normal retirement pension is equal to 50% of the average monthly salary for the last 36 months of employment, plus a service increment equal to \$20 per month per year of service in excess of 25 years of service up to a maximum service increment of \$100 per month. The normal retirement pension is payable monthly during the participant's lifetime with payments continuing after the participant's death to the surviving spouse, provided the surviving spouse is not remarried, or to dependent children under the age of 18 at an amount equal to 50% of the amount payable to the participant at the time of the participant's death. If a participant is totally and permanently disabled in the line of duty, he is eligible for a disability pension equal to the benefit based on the normal retirement formula. If a participant is eligible for retirement or killed in service, a death benefit is payable to his surviving spouse or children under age 18 in an amount equal to 50% of the benefit the member would have been receiving had he been retired at the time of his death. If an active member is killed in line of duty, a monthly death benefit is payable to survivor's spouse or eligible child, equal to 100% of the member's monthly salary at the time of death. A participant's benefits vest upon completion of 12 years of service. The vested benefit is a deferred pension beginning at normal retirement and is equal to the benefit accrued to the date of termination.

The plan is funded through state allocations from the General Municipal Pension System State Aid Program, public contributions and through member contributions of 5% of compensation. Past member contributions are credited with 2.0% interest per annum.

"Contributions required" are estimates prepared by municipal officials. The estimated contributions may contain immaterial errors which will not affect the long-term funding of the plan. The minimum funding requirements are based on the results of the most recent actuarial valuation report updated to reflect changes in payroll and expenses. The annual required contribution of the plan, the annual pension cost contributed and the net pension obligation for the years ended December 31, 2003 through December 31, 2012 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage Contributed By</u>		<u>Net Pension</u> <u>Obligation</u>
		<u>Employer</u>	<u>Others</u>	
2003	154,158	100%	0%	--
2004	151,806	100%	0%	--
2005	192,947	100%	0%	--
2006	119,658	100%	0%	--
2007	132,218	100%	0%	--
2008	132,515	100%	0%	--
2009	122,346	100%+	0%	--
2010	127,105	100%+	0%	--
2011	257,936	100%+	0%	--
2012	250,717	100%+	0%	--

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 7 – PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

Actuarial Valuation

An actuarial study as of January 1, 2011 was completed by Municipal Finance Partners, Inc. on February 17, 2011. The actuarial cost method used was the entry age normal cost method. The following significant assumptions were used in the actuarial valuations as of January 1, 2011; (1) a 7% rate of return; (2) rates of turnover ranging from 5.5% at age 20 to 0% at age 55; (3) pre-retirement mortality life expectancies based on the GA 1983 table; (4) post-retirement mortality life expectancies based on the GA 1983 table, (5) loading based on the SOA 1987 table for disability; (6) death benefit cost computed on the assumption that all participants will have spouses of the same age at the date of eligibility of the benefit; (7) projected salary increases of 5.5% per year; (8) normal retirement age; (9) provision for administrative expenses added to cost; (10) moderate inflation based on long-term historical average rate; (11) actuarial value of assets based on market value as determined by the trustee; and (12) level dollar closed amortization method for the unfunded actuarial accrued liability with a remaining amortization period of 8 years.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and estimated to be payable in the future as a result of employee service to date.

Historical trend information required to be disclosed, beginning as of January 1, 2003 is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial (Liability) /Funding Excess (Deficit)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial (Liability)/ Funding Excess (Deficit) as a Percentage of Payroll</u>
1-1-03	2,871,792	3,225,332	353,540	89.0%	891,784	39.6%
1-1-05	3,771,598	3,759,176	(12,422)	100.3%	1,048,720	1.2%
1-1-07	4,739,454	4,328,476	(410,978)	109.5%	1,200,494	34.2%
1-1-09	4,496,461	5,227,451	730,990	86.0%	1,275,907	57.3%
1-1-11	4,832,600	5,494,348	661,748	88.0%	1,274,096	51.9%

NONUNIFORM PENSION PLAN

Effective January 1, 1982, the Borough adopted a defined contribution money purchase pension plan. All full-time employees, except police officers, are able to join the plan on January 1 or July 1 after completion of one month of service. Normal retirement is based on attainment of age 62 and completion of ten years of service. Upon entering the plan, participants are 100% vested. Upon retirement, the full balance in the participant's account is payable. The plan is funded through municipal contributions and through state allocations from the General Municipal Pension System State Aid Program.

The Borough signed a contract with the Columbia Borough employees' union, which established the Borough's rate of contribution for employee compensation. For 2012, the Borough's rate of contribution was 7% for all nonuniformed members of the plan.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 7 – PENSION PLANS (Continued)

NONUNIFORM PENSION PLAN (Continued)

The defined contribution money purchase plan invests in mutual funds with Prudential Investments. The mutual funds allow the participant of the plan to invest in a variety of mutual funds, depending on the investment objective and level of risk each participant wants to assume.

The contribution to the defined contribution money purchase plan to purchase mutual funds was calculated using the salary amount of \$1,157,971 and resulted in a contribution paid in 2012 of \$81,058.

DEFERRED COMPENSATION PLANS

On August 1, 1991, the Borough adopted a deferred compensation plan for nonuniform employees, in addition to the defined contribution money purchase plan. The deferred compensation plan qualifies under Section 457 of the Internal Revenue Code. Commencement of deferral of compensation for employees can begin immediately. Employees must notify the Borough of their election to defer compensation. Employee contributions to the deferred compensation plan are discretionary. There is no Borough contribution. Vesting is full and immediate.

The deferred compensation plan invests the funds in mutual funds with Prudential Investments. The mutual funds allow the participants of the plan to invest in a variety of mutual funds, depending on the investment objective and level of risk each participant wants to assume.

The total employee contributions to the deferred compensation plan for 2012 were \$14,253.

In 2009, the Borough adopted a deferred compensation plan for police employees, in addition to the defined benefit pension plan. The deferred compensation plan qualifies under Section 457 of the Internal Revenue Code. Commencement of deferral of compensation for employees can begin immediately. Employees must notify the Borough of their election to defer compensation. Employee contributions to the deferred compensation plan are discretionary. There is no Borough contribution. Vesting is full and immediate.

The deferred compensation plan invests the funds in guaranteed interest accounts with Principal Financial Group. Total employee contributions to the deferred compensation plan for 2012 were \$19,861.

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Other post-employment benefits (OPEB), like pensions, are exchanges of salaries and benefits for future benefits to retain employees. The Borough provides certain health care benefits to retired police as required by collecting bargaining agreements. Medical coverage under the plan for eligible retirees and their spouses will be provided through continuation of coverage under the Borough's health, dental and vision plans covering active employees. Retired members will contribute 33 1/3% of the cost of postretirement medical insurance provided under this plan. The cost of retirees' retirement benefits is recognized as expenditure at the time premiums are paid. The Borough has not established a separate OPEB Plan Fund and is on the pay-as-you-go basis.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Police Officers

An officer who retires after 20 years or more of full-time service is eligible for post employment benefits.

Benefits under this plan will cease at age 65, or the age of Medicare eligibility if greater than 65. If a retired officer or his spouse is employed by an employer who provides comparable medical benefits to its employees and their dependent with no premium contributions from the employee, then eligibility for benefits from this plan will cease.

Actuarial Valuation

An actuarial study as of January 1, 2011 was completed by Municipal Finance Partners, Inc. for the purpose of GASB Statement No. 45 reporting. The actuarial cost method used was the entry age normal cost method. The following significant assumptions were used in the actuarial valuations as of January 1, 2011; (1) a 4.0% rate of return; (2) rates of turnover ranging from 5.5% at age 20 to 0% at age 55; (3) mortality life expectancies based on the GA 1983 table; (4) disability expectancies based on the SOA 1987 group LTD table; (5) retirement latest of age 50, age at the completion of 25 years of service, or age on valuation date; (6) 100% are employees are assumed to elect coverage on retiring; (7) 80% of eligible retiring officers are assumed to have a spouse who elects coverage under the plan; (8) health care costs are assumed to increase 12% in 2011, decreasing 1% per year to an ultimate rate of 5% in 2018. Dental and vision insurance costs are assumed to increase by 5% per year.

Annual Required Contribution (ARC)

	<u>2012</u> <u>Police</u>	<u>2011</u> <u>Police</u>	<u>2010</u> <u>Police</u>
Annual Required Contribution (ARC)	\$ 478,593	\$ 478,593	\$ 409,017
Interest on Net OPEB Obligation	42,510	28,231	14,710
Adjustment to ARC	<u>(91,909)</u>	<u>(58,240)</u>	<u>(30,346)</u>
Annual OPEB Cost	429,194	448,584	393,381
Contributions Made (Estimated)	<u>(77,532)</u>	<u>(91,601)</u>	<u>(55,354)</u>
Increase in Net OPEB Obligation	351,662	356,983	338,027
Net OPEB Obligation – Beginning of Year	<u>1,062,755</u>	<u>705,772</u>	<u>367,745</u>
Net OPEB Obligation – End of Year	<u>\$ 1,414,417</u>	<u>\$ 1,062,755</u>	<u>\$ 705,772</u>

Funded Status and Funding Progress

Historical trend information required to be disclosed, beginning as of January 1, 2009 is as follows:

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value</u> <u>of Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>Entry</u> <u>Age</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>as a</u> <u>Percentage</u> <u>of Payroll</u>
1-1-09	\$ --	\$ 2,710,540	\$ 2,710,540	0.00%	\$ 1,183,745	229.0%
1-1-11	--	3,132,200	3,132,200	0.00%	1,274,096	264.6%

**BOROUGH OF COLUMBIA  
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**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 9 – COLUMBIA MUNICIPAL AUTHORITY (A Component Unit)

The Columbia Municipal Authority (the Authority) was organized by the Borough of Columbia to acquire, construct, and provide financing for the sewage collection system and treatment facility in the Borough. The Borough appoints the five members of the Authority Board and has issued general obligation debt on behalf of the Authority.

The Authority operates on a fiscal year ended December 31. Its financial statements are audited separately. The audited financial statements of the Authority are available at the office of the Borough of Columbia.

NOTE 10 – CONTINGENT LIABILITIES

Litigation

Several claims are asserted against the Borough. The outcome of these claims is not presently determinable.

Grants

The Borough participates in various federal and state funded grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the Borough is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. The Borough's management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 11 – RISK MANAGEMENT

The Borough is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Borough has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended December 31, 2012 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 12 – RESTRICTED NET POSITION

The net position in the private purpose trust fund is restricted for Borough shade tree activities and to provide assistance for widows of railroad workers.

The net position in the governmental funds are restricted for police activities, highway projects, as well as for various capital improvement projects taking place within the Borough that are being funded by local, state and federal grants.

NOTE 13 – PARTICIPATION IN RISK SHARING POOL

Effective December 13, 2006, the Borough has elected to become a member of the Pennsylvania Intergovernmental Risk Management Association (PIRMA). Membership includes governmental units throughout a majority of the counties in Pennsylvania. The Borough's coverage includes liability and property insurance. PIRMA provides limits of liability up to \$10,000,000 and property limits determined by property values and replacement costs.

Each member is assessed a premium based on number of employees, territory, property values and other factors. All claims are paid from the pool with reinsurance being purchased by the pool for claims in excess of \$250,000 per occurrence. If there is a deficiency in the pooled funds, each member is assessed an amount equal to their proportional share.

As of December 31, 2012, the Borough is not aware of any additional assessments relating to the pool.

**BOROUGH OF COLUMBIA  
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**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 14 – DUE TO OTHER GOVERNMENTS

The balance of \$184,156 represents the funds owed to the Columbia Municipal Authority. The balance consists of the balance held in the Borough's cash management account. Interest calculated at .18% for 2012 was \$2,439 and is included in the balance due.

Reconciliation of Amount Owed to Columbia Municipal Authority:

Balance Due January 1, 2012	\$ 11,978,121
Principal Balance Repaid	(50,000)
Bond Proceeds held by Borough on behalf of the Authority	(11,523,594)
Adjustment to Sewer Operating Expenses net of Reimbursements	2,329
Interest on Sewer Operating funds held by Borough	<u>2,439</u>
 Balance due December 31, 2012	 <u>\$ 409,295</u>
 Funds Owed to the Columbia Municipal Authority	 \$ 409,295
Funds Owed by the Municipal Authority for December Expenditures	<u>(225,139)</u>
 Balance due to Municipal Authority at December 31, 2012	 <u>\$ 184,156</u>

NOTE 15 – OPERATING LEASES

On May 1, 2008, the Borough entered into an operating lease for Liquid Fuels equipment. The lease is for a term of five years and requires annual payments of \$37,755. The total amount outstanding on the lease is \$37,062. The lease agreement does contain a non-appropriation clause. The Borough has the option to purchase the leased asset at any time during the lease in accordance with the lease agreement.

On July 12, 2010, the Borough entered into an operating lease for maintenance equipment. The lease is for a term of four years and requires annual payments of \$9,948. The total amount outstanding on the lease is \$18,374. The lease agreement does contain a non-appropriation clause. The Borough has the option to purchase the leased asset at any time during the lease in accordance with the lease agreement.

On December 6, 2011, the Borough entered into an operating lease for a police department vehicle. The lease is for a term of four years and requires annual payments of \$6,463. The total amount outstanding on the lease is \$17,674. The lease agreement does contain a non-appropriation clause. The Borough has the option to purchase the leased asset at any time during the lease in accordance with the lease agreement.

On June 7, 2012, the Borough entered into an operating lease for a street sweeper. The lease is for a term of five years and requires annual payments of \$35,529. The total amount outstanding on the lease is \$165,775. The lease agreement does contain a non-appropriation clause. The Borough has the option to purchase the leased asset at any time during the lease in accordance with the lease agreement.

NOTE 16 – FUND BALANCE

Restricted Fund Balance

The Borough's restricted fund balances are amounts restricted by outside parties. As of December 31, 2012, the Borough's restricted fund balance was \$473,777, which consisted of funds in the amount of \$57,864 restricted for use by the Commonwealth of Pennsylvania for Highway Aid purposes; \$3,392 restricted for drug investigation purposes; \$401,131 restricted by outside grants and donations for capital improvements; and \$11,390 for donations received for the Police AED Program and National Night Out.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

NOTE 16 – FUND BALANCE (Continued)

Assigned Fund Balance

As of December 31, 2012, the Borough's assigned fund balance of \$625,880 consisted of funds set aside for the 2013 budget deficit.

NOTE 17 - COMMITMENTS

During 2012, the Borough awarded a bid and contract for the Veteran's Memorial Bridge Lighting Project to Kuharchic Construction, Inc, in the amount not to exceed \$2,053,547. The Project is part of a cooperative agreement between the Borough of Columbia, the Borough of Wrightsville, and West Hempfield Township. The project will be completely financed by a federal grant administered through the Pennsylvania Department of Transportation, and does not requiring any matching funds from any of the cooperating municipalities. The Project is scheduled to be completed during 2013.

NOTE 18 – SUBSEQUENT EVENT

In April 2013, the Borough will be issuing a General Obligation Note in the amount of \$2,378,600 to refinance the United States Department of Agriculture (USDA) Bond described in Note 5 in these financial statements.

**OTHER INFORMATION**  
**OF**  
**BOROUGH OF COLUMBIA**  
**COLUMBIA, PENNSYLVANIA**  
**DECEMBER 31, 2012**

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – MODIFIED CASH BASIS – GENERAL FUND  
YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real Estate Taxes and Penalties	\$ 2,717,944	\$ 2,717,944	\$ 2,875,800	\$ 157,856
Other Taxes	902,895	1,020,624	1,085,242	64,618
Licenses and Permits	118,250	118,250	122,039	3,789
Fines and Forfeits	171,000	171,000	155,335	(15,665)
Interest, Rents and Royalties	64,040	32,300	33,353	1,053
Intergovernmental Revenue	289,736	330,903	373,382	42,479
Charges for Services	427,060	427,060	447,580	20,520
Contributions	18,450	16,450	24,847	(1,099)
Miscellaneous Revenue	<u>15,496</u>	<u>14,496</u>	<u>31,637</u>	<u>26,637</u>
<b>TOTAL REVENUES</b>	<u>4,724,871</u>	<u>4,849,027</u>	<u>5,149,215</u>	<u>300,188</u>
<b>EXPENDITURES</b>				
General Government	615,809	643,700	571,999	71,701
Public Safety	2,722,949	2,774,645	2,617,786	156,859
Highways and Streets	612,426	688,532	594,411	94,121
Other Services	57,302	54,124	66,156	(12,032)
Culture and Recreation	70,600	76,625	64,756	11,869
Debt Service	--	--	2,439	(2,439)
Employee Benefits, Insurance and Other	483,780	490,807	457,176	33,631
Miscellaneous Expenditures	<u>3,118</u>	<u>6,138</u>	<u>2,883</u>	<u>3,255</u>
<b>TOTAL EXPENDITURES</b>	<u>4,565,984</u>	<u>4,734,571</u>	<u>4,377,606</u>	<u>356,965</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>158,887</u>	<u>114,456</u>	<u>771,609</u>	<u>657,153</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund Transfers	(101,738)	(122,300)	--	122,300
Refund of Prior Year Expenditures	4,000	4,000	4,339	339
Refund of Prior Year Revenue	(100)	(100)	--	100
Sale of Fixed Assets	<u>--</u>	<u>344</u>	<u>344</u>	<u>--</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(97,838)</u>	<u>(118,056)</u>	<u>4,683</u>	<u>122,739</u>
<b>Change in Fund Balances</b>	61,049	(3,600)	776,292	779,892
<b>Fund Balances – January 1, 2012</b>	<u>2,271,585</u>	<u>2,271,585</u>	<u>2,271,585</u>	<u>--</u>
<b>Fund Balances – December 31, 2012</b>	<u>\$ 2,332,634</u>	<u>\$ 2,267,985</u>	<u>\$ 3,047,877</u>	<u>\$ 779,892</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – MODIFIED CASH BASIS –CAPITAL IMPROVEMENT FUND  
YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest, Rents and Royalties	\$ 462,256	\$ 4,400	\$ 748	\$ (3,652)
Intergovernmental Revenue	2,637,446	2,809,913	514,632	(2,295,281)
Charges for Services	5,000	5,000	7,367	2,367
Contributions	<u>26,500</u>	<u>16,500</u>	<u>18,400</u>	<u>1,900</u>
<b>TOTAL REVENUES</b>	<u>3,131,202</u>	<u>2,835,813</u>	<u>541,147</u>	<u>(2,294,666)</u>
<b>EXPENDITURES</b>				
General Government	70,000	93,452	37,678	55,774
Public Safety	--	19,795	761	19,034
Sanitation	10,821,000	--	--	--
Highways and Streets	2,764,230	1,167,445	54,179	1,113,266
Other Services	20,000	52,350	49,850	2,500
Debt Services	608,190	245,393	171,530	73,863
Culture and Recreation	40,000	1,627,218	111,846	1,515,372
Miscellaneous Expenditures	<u>10,000</u>	<u>9,079</u>	<u>--</u>	<u>9,079</u>
<b>TOTAL EXPENDITURES</b>	<u>14,333,420</u>	<u>3,214,732</u>	<u>425,844</u>	<u>2,788,888</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(11,202,218)</u>	<u>(378,919)</u>	<u>115,303</u>	<u>494,222</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Fixed Assets	<u>122,000</u>	<u>139,528</u>	<u>17,527</u>	<u>(122,001)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>122,000</u>	<u>139,528</u>	<u>17,527</u>	<u>(122,001)</u>
<b>Change in Fund Balances</b>	(11,080,218)	(239,391)	132,830	372,221
<b>Fund Balances – January 1, 2012</b>	<u>265,270</u>	<u>265,270</u>	<u>265,270</u>	<u>--</u>
<b>Fund Balances – December 31, 2012</b>	<u>\$ (10,814,948)</u>	<u>\$ 25,879</u>	<u>\$ 398,100</u>	<u>\$ 372,201</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – MODIFIED CASH BASIS –SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest, Rents and Royalties	\$ 100	\$ 30	\$ 30	\$ --
Intergovernmental Revenue	187,185	189,020	189,020	--
Miscellaneous Revenue	<u>--</u>	<u>272</u>	<u>272</u>	<u>--</u>
<b>TOTAL REVENUES</b>	<u>187,285</u>	<u>189,322</u>	<u>189,322</u>	<u>--</u>
<b>EXPENDITURES</b>				
Highways and Streets	<u>184,755</u>	<u>223,491</u>	<u>222,953</u>	<u>538</u>
<b>TOTAL EXPENDITURES</b>	<u>184,755</u>	<u>223,491</u>	<u>222,953</u>	<u>538</u>
<b>Change in Fund Balances</b>	2,530	(34,169)	(33,631)	538
<b>Fund Balances – January 1, 2012</b>	<u>91,495</u>	<u>91,495</u>	<u>91,495</u>	<u>--</u>
<b>Fund Balances – December 31, 2012</b>	<u>\$ 94,025</u>	<u>\$ 57,326</u>	<u>\$ 57,864</u>	<u>\$ 538</u>

The accompanying notes are an integral part of these financial statements.

**SUPPLEMENTARY INFORMATION**

**OF**

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**DECEMBER 31, 2012**

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**COMBINING STATEMENT OF PRIVATE PURPOSE TRUST FUNDS  
MODIFIED CASH BASIS – FIDUCIARY FUNDS  
DECEMBER 31, 2012**

	<u>Tree Commission Fund</u>	<u>William F. Lockard Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,796	\$ 320	\$ 4,116
Investments	<u>    --</u>	<u>113,970</u>	<u>113,970</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,796</u>	<u>\$ 114,290</u>	<u>\$ 118,086</u>
<b>LIABILITIES</b>			
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<b>NET POSITION</b>			
Restricted for Other Projects	<u>3,796</u>	<u>114,290</u>	<u>118,086</u>
<b>TOTAL NET POSITION</b>	<u>3,796</u>	<u>114,290</u>	<u>118,086</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,796</u>	<u>\$ 114,290</u>	<u>\$ 118,086</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF CHANGES IN PRIVATE PURPOSE TRUST FUNDS  
MODIFIED CASH BASIS – FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2012**

	<u>Tree Commission Fund</u>	<u>William F. Lockard Trust Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
Investment Income	\$ 34	\$ 3,284	\$ 3,318
Increase in Market Value	--	11,516	11,516
Donations	2,000	--	2,000
Municipal Contributions	3,000	--	3,000
Membership Dues	<u>2,685</u>	<u>--</u>	<u>2,685</u>
<b>TOTAL ADDITIONS</b>	<u>7,719</u>	<u>14,800</u>	<u>22,519</u>
<b>DEDUCTIONS</b>			
Culture and Recreation	25,475	--	25,475
Miscellaneous Expenses	<u>--</u>	<u>1,300</u>	<u>1,300</u>
<b>TOTAL DEDUCTIONS</b>	<u>25,475</u>	<u>1,300</u>	<u>26,775</u>
<b>Change in Net Position</b>	(17,756)	13,500	(4,256)
<b>Net Position – January 1, 2012</b>	<u>21,552</u>	<u>100,790</u>	<u>122,342</u>
<b>Net Position – December 31, 2012</b>	<u>\$ 3,796</u>	<u>\$ 114,290</u>	<u>\$ 118,086</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF COLUMBIA  
COLUMBIA, PENNSYLVANIA**

**STATEMENTS OF CHANGES IN FUND BALANCE –  
GENERAL FUND, LIQUID FUELS FUND AND CAPITAL RESERVE FUND**

**YEARS ENDED DECEMBER 31, 2008, 2009, 2010, 2011 AND 2012**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>GENERAL FUND</b>					
Beginning Fund Equity	\$ 998,296	\$ 1,346,583	\$ 1,592,361	\$ 1,706,757	\$ 2,271,585
Total Revenues and Other Financing Sources	5,068,702	5,079,770	4,940,206	5,266,552	6,165,960
Total Expenditures and Other Financing Uses	<u>(4,720,415)</u>	<u>(4,833,992)</u>	<u>(4,825,810)</u>	<u>(4,701,724)</u>	<u>(5,389,668)</u>
<b>ENDING FUND BALANCE</b>	<b><u>\$ 1,346,583</u></b>	<b><u>\$ 1,592,361</u></b>	<b><u>\$ 1,706,757</u></b>	<b><u>\$ 2,271,585</u></b>	<b><u>\$ 3,047,877</u></b>
<b>LIQUID FUELS FUND</b>					
Beginning Fund Equity	\$ 311,130	\$ 124,573	\$ 100,214	\$ 45,408	\$ 91,495
Total Revenues and Other Financing Sources	203,162	238,879	182,256	185,664	189,322
Total Expenditures and Other Financing Uses	<u>(389,719)</u>	<u>(263,238)</u>	<u>(237,062)</u>	<u>(139,577)</u>	<u>(222,953)</u>
<b>ENDING FUND BALANCE</b>	<b><u>\$ 124,573</u></b>	<b><u>\$ 100,214</u></b>	<b><u>\$ 45,408</u></b>	<b><u>\$ 91,495</u></b>	<b><u>\$ 57,864</u></b>
<b>CAPITAL IMPROVEMENT FUND</b>					
Beginning Fund Equity	\$ (516,375)	\$ (375,333)	\$ 556,416	\$ 667,989	\$ 265,270
Total Revenues and Other Financing Sources	1,269,908	2,239,172	3,023,895	1,668,263	558,674
Total Expenditures and Other Financing Uses	<u>(1,128,866)</u>	<u>(1,307,423)</u>	<u>(2,912,322)</u>	<u>(2,070,982)</u>	<u>(425,844)</u>
<b>ENDING FUND BALANCE</b>	<b><u>\$ (375,333)</u></b>	<b><u>\$ 556,416</u></b>	<b><u>\$ 667,989</u></b>	<b><u>\$ 265,270</u></b>	<b><u>\$ 398,100</u></b>

See the notes to financial statements and the independent auditor's report.