

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

DECEMBER 31, 2013

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**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each governmental major fund, and the aggregate remaining fund information of the Borough of Columbia as of and for the year ended December 31, 2013, 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 and the standards applicable to the financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Adverse Opinion on the Major Enterprise Funds and the Business-Type Activities

The financial statements do not include financial data for the Borough's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Borough's primary government unless the Borough also issues financial statements for the financial reporting entity that include the financial data for its component units. The Borough has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the enterprise funds and business-type activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Major Enterprise Funds and the Business-Type Activities" paragraph, the financial statements referred above do not present fairly the financial position of the major enterprise funds and business-type activities of the Borough of Columbia, as of December 31, 2013, or the changes in financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining fund information of the Borough of Columbia as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance 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.

Report on Supplementary 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 balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining fiduciary fund financial statements and statements of changes in fund balances and the schedule of expenditures of federal awards 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 combining fiduciary fund financial statements, and statements of changes in fund balances, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Other Information

The budgetary comparison information on pages 27 to 29, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Matters

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United State 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2014 on our consideration of the Borough of Columbia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Columbia's internal control over financial reporting and compliance.

Sager, Swisher and Company, LLP

Columbia, Pennsylvania
April 14, 2014

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2013**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 4,412,173
Due from Authority	<u>249,504</u>
TOTAL ASSETS	<u>\$ 4,661,677</u>
LIABILITIES	
Due to Other Governments	\$ 9,068
Payroll Withholdings	4,852
Deposits and Escrows	<u>275,267</u>
TOTAL LIABILITIES	<u>289,187</u>
NET POSITION	
Restricted	1,208,099
Unrestricted	<u>3,164,391</u>
TOTAL NET POSITION	<u>4,372,490</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,661,677</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, 2013**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Total Governmental Activities</u>
Primary Government					
Governmental Activities					
General Government	\$ 669,561	\$ 306,649	\$ --	\$ --	\$ (362,912)
Public Safety	2,714,081	224,256	145,452	--	(2,344,373)
Sanitation	178,000	20,032	12,556	178,000	32,588
Highways and Streets	834,581	62,855	--	250,808	(520,918)
Other Services	38,287	12,745	--	--	(25,542)
Culture and Recreation	939,368	--	--	1,463,324	523,956
Debt Service	2,576,817	--	--	--	(2,576,817)
Employee Benefits, Insurance and Other	481,577	32,810	221,408	--	(227,359)
Miscellaneous Expenses	5,230	--	--	--	(5,230)
Total Primary Government	<u>\$ 8,437,502</u>	<u>\$ 659,347</u>	<u>\$ 379,416</u>	<u>\$ 1,892,132</u>	<u>(5,506,607)</u>
General Revenues					
					2,786,250
					1,180,933
					12,162
					2,378,600
					2,843
					6,541
					7,927
					6,375,256
					868,649
					3,503,841
					<u>\$ 4,372,490</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, 2013**

	Major Funds			Nonmajor Funds	
	General Fund	Capital Projects Fund	Debt Service Fund	Liquid Fuels Funds	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 3,693,523	\$ 458,044	\$ 138,224	\$ 122,382	\$ 4,412,173
Due from Other Funds	--	479,845	--	--	479,845
Due from Authority	<u>247,684</u>	<u>1,820</u>	<u>--</u>	<u>--</u>	<u>249,504</u>
Total Current Assets	<u>3,941,207</u>	<u>939,709</u>	<u>138,224</u>	<u>122,382</u>	<u>5,141,522</u>
TOTAL ASSETS	<u>\$ 3,941,207</u>	<u>\$ 939,709</u>	<u>\$ 138,224</u>	<u>\$ 122,382</u>	<u>\$ 5,141,522</u>
LIABILITIES					
Due to Other Funds	\$ 479,845	\$ --	\$ --	\$ --	\$ 479,845
Due to Other Governments	9,068	--	--	--	9,068
Payroll Withholdings	4,852	--	--	--	4,852
Deposits and Escrows	<u>275,267</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>275,267</u>
TOTAL LIABILITIES	<u>769,032</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>769,032</u>
FUND BALANCES					
Restricted	7,784	939,709	138,224	122,382	1,208,099
Assigned	530,037	--	--	--	530,037
Unassigned	<u>2,634,354</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,634,354</u>
TOTAL FUND BALANCES	<u>3,172,175</u>	<u>939,709</u>	<u>138,224</u>	<u>122,382</u>	<u>4,372,490</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,941,207</u>	<u>\$ 939,709</u>	<u>\$ 138,224</u>	<u>\$ 122,382</u>	<u>\$ 5,141,522</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 -
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013**

	<u>Major Funds</u>			<u>Nonmajor Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Liquid Fuels Funds</u>	
REVENUES					
Real Estate Taxes and Penalties	\$ 2,786,250	\$ --	\$ --	\$ --	\$ 2,786,250
Other Taxes	1,065,982	--	--	--	1,065,982
Licenses and Permits	121,318	--	--	--	121,318
Fines and Forfeits	152,393	--	--	--	152,393
Interest, Rents and Royalties	18,764	490	--	32	19,286
Intergovernmental Revenue	373,625	1,563,013	--	185,977	2,122,615
Charges for Services	449,817	5,215	--	--	455,032
Contributions	17,953	143,142	--	--	161,095
Miscellaneous Revenue	<u>32,717</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>32,717</u>
TOTAL REVENUES	<u>5,018,819</u>	<u>1,711,860</u>	<u>--</u>	<u>186,009</u>	<u>6,916,688</u>
EXPENDITURES					
General Government	666,889	2,672	--	--	669,561
Public Safety	2,709,846	4,235	--	--	2,714,081
Sanitation	--	178,000	--	--	178,000
Highways and Streets	634,153	78,937	--	121,491	834,581
Other Services	12,811	25,476	--	--	38,287
Culture and Recreation	59,266	880,102	--	--	939,368
Debt Service	2,229	72,397	2,502,191	--	2,576,817
Employee Benefits, Insurance and Other	481,577	--	--	--	481,577
Miscellaneous Expenditures	<u>5,230</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,230</u>
TOTAL EXPENDITURES	<u>4,572,001</u>	<u>1,241,819</u>	<u>2,502,191</u>	<u>121,491</u>	<u>8,437,502</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>446,818</u>	<u>470,041</u>	<u>(2,502,191)</u>	<u>64,518</u>	<u>(1,520,814)</u>
OTHER FINANCING SOURCES (USES)					
Transfer In	--	333,383	261,815	--	595,198
Transfer Out	(333,383)	(261,815)	--	--	(595,198)
Proceeds from Long-Term Debt	--	--	2,378,600	--	2,378,600
Refund of Prior Year Expenditures	8,020	--	--	--	8,020
Sale of Fixed Assets	<u>2,843</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,843</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(322,520)</u>	<u>71,568</u>	<u>2,640,415</u>	<u>--</u>	<u>2,389,463</u>
Changes in Fund Balances	124,298	541,609	138,224	64,518	868,649
Fund Balances – January 1, 2013	<u>3,047,877</u>	<u>398,100</u>	<u>--</u>	<u>57,864</u>	<u>3,503,841</u>
Fund Balances – December 31, 2013	<u>\$ 3,172,175</u>	<u>\$ 939,709</u>	<u>\$ 138,224</u>	<u>\$ 122,382</u>	<u>\$ 4,372,490</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, 2013**

	<u>Pension Trust</u>		
	<u>Non-Uniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Private Purpose Trust Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ --	\$ --	\$ 13,546
Investments	<u>1,035,441</u>	<u>6,098,059</u>	<u>133,775</u>
TOTAL ASSETS	<u>\$ 1,035,441</u>	<u>\$ 6,098,059</u>	<u>\$ 147,321</u>
LIABILITIES	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
NET POSITION			
Restricted for			
Pension Benefits	1,035,441	6,098,059	--
Other Projects	<u>--</u>	<u>--</u>	<u>147,321</u>
TOTAL NET POSITION	<u>1,035,441</u>	<u>6,098,059</u>	<u>147,321</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,035,441</u>	<u>\$ 6,098,059</u>	<u>\$ 147,321</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, 2013**

	<u>Pension Trust</u>		
	<u>Non-Uniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS			
State Contributions – Act 205	\$ --	\$ 221,408	\$ --
Municipal Contributions	78,790	39,349	8,040
Investment Income	137,628	800,839	23,109
Employee Contributions	--	39,759	--
Membership Dues	--	--	3,392
TOTAL ADDITIONS	<u>216,418</u>	<u>1,101,355</u>	<u>34,541</u>
DEDUCTIONS			
Distributions and Benefit Payments	132,047	239,804	--
Administrative Fees	--	28,370	--
Culture and Recreation	--	--	4,094
Miscellaneous Expenses	65	--	1,212
TOTAL DEDUCTIONS	<u>132,112</u>	<u>268,174</u>	<u>5,306</u>
Changes in Net Position	84,306	833,181	29,235
Net Position – January 1, 2013	<u>951,135</u>	<u>5,264,878</u>	<u>118,086</u>
Net Position – December 31, 2013	<u>\$ 1,035,441</u>	<u>\$ 6,098,059</u>	<u>\$ 147,321</u>

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

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013**

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.

The debt service fund accounts for the accumulation of resources for, and for the payment of, long-term debt principal, interest, and related costs.

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, 2013**

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, 2013, 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, 2013, the Borough did not have any deferred outflows of resources.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013, 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, 2013, 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, 2013**

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 14, 2014, 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, 2013, \$3,936,019 of the Borough's bank balance of \$4,453,021 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>3,936,019</u>
	\$	<u>3,936,019</u>

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 3,936,019
Plus: Insured Amount	517,002
Deposits in Transit	2,420
Less: Outstanding Checks	<u>(455,270)</u>
 Carrying Amount - Bank Balances	 4,000,171
Plus: PA Invest - Money Market	301,746
PLGIT - Liquid Fuels Fund	123,577
Cash on Hand	<u>225</u>
Total Cash per Financial Statements	<u>\$ 4,425,719</u>

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, 2013, none of the Borough's investments of \$133,775 was exposed to custodial risk.

In 2008, the Federal Deposit Insurance Corporation (FDIC) insurance coverage increased to \$250,000. 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, 2013, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Wells Fargo - Investment Account (Lockard Trust)	\$ 133,775
	<u>\$ 133,775</u>

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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	\$ 4,185,272	83.50%
PA Invest	301,746	6.02%
Fulton Bank	265,341	5.29%
Banks less than 5%	<u>259,760</u>	<u>5.19%</u>
	<u>\$ 5,012,119</u>	<u>100.00%</u>

NOTE 3 – INVESTMENTS - PENSION TRUST FUNDS

Investments

As of December 31, 2013, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>	
<u>Police Pension Fund</u>		
Principal Financial Group	\$ 6,098,059	85.48%
<u>Non-Uniformed Pension Fund</u>		
Principal Financial Group	<u>1,035,441</u>	<u>14.52%</u>
	<u>\$ 7,133,500</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, 2013 was \$246,966, all of which was estimated to be collectible by management. The real estate taxes receivable increased by \$3,499 over the previous year balance of \$243,467.

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, 2013 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 31st are submitted to the tax claim bureau for collection on January 15th of the year following assessment.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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>Notes Payable</u>	<u>Compensated Absences</u>	<u>Long-Term Debt</u>
Beginning of Year	\$ 2,382,198	\$ 187,383	\$ 2,569,581
Debt Issuance	2,378,600	--	2,378,600
Principal Retirement	(2,424,502)	--	(2,424,502)
Increase in Compensated Absences	--	49,154	49,154
Compensated Absences Payouts	<u>--</u>	<u>(11,852)</u>	<u>(11,852)</u>
End of Year	<u>\$ 2,336,296</u>	<u>\$ 224,685</u>	<u>\$ 2,560,981</u>

Long-term debt consists of the following:

	<u>December 31, 2013</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Series 2010 – General Obligation Note	\$ 43,696	2.950%	8/31/2015
Series 2013 – General Obligation Note	<u>2,292,600</u>	2.540%	6/15/2038
	<u>\$ 2,336,296</u>		

Long-term debt consists of the Series of 2010 General Obligation Note issued by PNC Bank and the Series of 2013 General Obligation Note issued by Fulton Bank. 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 Series of 2013 General Obligation Note was issued in April 2013 in the amount of \$2,378,600. The purpose of this note was to refinance the Series of 2006 General Obligation Bond. The note is payable in semiannual payments at an initial interest rate of 2.54%, which is fixed until June 15, 2023. After June 15, 2023, the interest rate will be at a variable rate equal to 65% of the 30-day LIBOR plus two hundred basis points (2.00%). In no instance will the interest rate during the variable rate period exceed: (i) 5.00% during the first ten years of the variable rate period; and (ii) 5.75% thereafter through maturity or repayment of the note.

The calculated future annual payments required to amortize the Series of 2010 General Obligation Note outstanding as of December 31, 2013 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 25,979	\$ 941	\$ 26,920
2015	<u>17,717</u>	<u>197</u>	<u>17,914</u>
	<u>\$ 43,696</u>	<u>\$ 1,138</u>	<u>\$ 44,834</u>

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 5 – LONG-TERM DEBT (Continued)

The calculated future annual payments required to amortize the Series of 2013 General Obligation Note outstanding as of December 31, 2013 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 80,500	\$ 57,724	\$ 138,224
2015	82,500	55,667	138,167
2016	84,700	53,557	138,257
2016	86,800	51,393	138,193
2017	89,000	49,174	138,174
2019-2023	462,700	228,263	690,963
2024-2028	380,400	310,743	691,143
2029-2033	484,700	206,412	691,112
2034-2038	<u>541,300</u>	<u>80,756</u>	<u>622,056</u>
	<u>\$ 2,292,600</u>	<u>\$ 1,093,689</u>	<u>\$ 3,386,289</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, 2013 was 2.08%. As of December 31, 2013, the balance of the note was \$764,121 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, 2013 was \$11,500,000 and is reported on the financial statements of the Authority.

Compensated Absences

Accrued compensated absences consist of accrued vacation/paid leave of \$224,685. The accrued vacation/paid leave is computed for all employees who had not used all of their allowable vacation time as of December 31, 2013. 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 \$20,074. 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, 2013 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ --	\$ 479,845
Capital Improvement Fund	<u>479,845</u>	<u>--</u>
	<u>\$ 479,845</u>	<u>\$ 479,845</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, 2013**

NOTE 6 – DUE TO/FROM OTHER FUNDS AND TRANSFERS (Continued)

Transfers between funds during the year ended December 31, 2013 were as follows:

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>	
General Fund	\$ --	\$ 333,383	
Capital Improvement Fund	333,383	261,815	
Debt Service Fund	<u>261,815</u>	<u>--</u>	
	<u>\$ 595,198</u>	<u>\$ 595,198</u>	

The Borough transferred funds to the Capital Improvement Fund to offset costs related to capital projects. The Borough also transferred funds to the Debt Service Fund from the Capital Improvement Fund for debt principal and interest payments.

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, 2013, 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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 – PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

Contributions and Funding Policy (Continued)

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, 2004 through December 31, 2013 were as follows:

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed By</u>		<u>Net Pension Obligation</u>
		<u>Employer</u>	<u>Others</u>	
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%	--
2013	260,757	100%+	0%	--

Actuarial Valuation

An actuarial study as of January 1, 2013 was completed by Municipal Finance Partners, Inc. 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, 2013; (1) a 6.5% rate of return; (2) rates of turnover ranging from 4.5% at age 20 to 0% at age 55; (3) pre-retirement mortality life expectancies based on the RP-2000 table; (4) post-retirement mortality life expectancies based on the RP-2000 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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 7 – PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

Actuarial Valuation (Continued)

Historical trend information required to be disclosed, beginning as of January 1, 2005 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial (Liability)/ Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Unfunded Actuarial (Liability)/ Funding Excess (Deficit) as a Percentage of Payroll
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%
1-1-13	5,009,779	6,708,655	1,698,876	74.7%	1,304,751	130.2%

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 2013, the Borough's rate of contribution was 7% for all nonuniformed members of the plan.

The defined contribution money purchase plan invests in mutual funds with Principal 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 \$1,125,571 and resulted in a contribution paid in 2013 of \$78,790.

DEFERRED COMPENSATION PLANS

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 2013 were \$31,866.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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.

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, 2013 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, 2013; (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 RP-2000 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 9% in 2013, decreasing 1% per year to an ultimate rate of 5% in 2017. Dental and vision insurance costs are assumed to increase by 5% per year.

Annual Required Contribution (ARC)

	<u>2013</u> <u>Police</u>	<u>2012</u> <u>Police</u>	<u>2011</u> <u>Police</u>
Annual Required Contribution (ARC)	\$ 445,348	\$ 478,593	\$ 478,593
Interest on Net OPEB Obligation	56,577	42,510	28,231
Adjustment to ARC	<u>(128,751)</u>	<u>(91,909)</u>	<u>(58,240)</u>
Annual OPEB Cost	373,174	429,194	448,584
Contributions Made (Estimated)	<u>(73,313)</u>	<u>(77,532)</u>	<u>(91,601)</u>
Increase in Net OPEB Obligation	299,861	351,662	356,983
Net OPEB Obligation – Beginning of Year	<u>1,414,417</u>	<u>1,062,755</u>	<u>705,772</u>
Net OPEB Obligation – End of Year	<u>\$ 1,714,278</u>	<u>\$ 1,414,417</u>	<u>\$ 1,062,755</u>

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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

Funded Status and Funding Progress

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage 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%
1-1-13	--	2,803,960	2,803,960	0.00%	1,304,752	214.9%

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, 2013 and the two previous fiscal years, no settlements exceeded insurance coverage.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013, the Borough is not aware of any additional assessments relating to the pool.

NOTE 14 – DUE FROM OTHER GOVERNMENTS

The balance of \$247,684 represents the funds owed by the Columbia Municipal Authority. The balance consists of the balance held in the Borough's cash management account. Interest calculated at .09% for 2013 was \$2,229 and is included in the balance due.

Reconciliation of Amount Owed to Columbia Municipal Authority:

Balance Due January 1, 2013	\$ 409,295
Principal Balance Repaid	(100,000)
Adjustment to Sewer Operating Expenses net of Reimbursements	(61)
Interest on Sewer Operating funds held by Borough	<u>2,229</u>
Balance Due December 31, 2013	<u>\$ 311,463</u>
Funds Owed to the Columbia Municipal Authority	\$ 311,463
Funds Owed by the Municipal Authority for December Expenditures	<u>(559,147)</u>
Balance Due from Municipal Authority at December 31, 2013	<u>\$ (247,684)</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 \$-0-. 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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 15 – OPERATING LEASES (Continued)

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 \$9,432. 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 \$136,825. 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 May 30, 2013, the Borough entered into an operating lease for vehicles, maintenance equipment, and office equipment. The lease is for a term of five years and requires annual payments of \$52,459. The total amount outstanding on the lease is \$244,770. The lease does contain a non-appropriation clause. The Borough has the option to purchased the leased assets at any time during the lease in accordance with the lease agreement.

During 2013, the Borough entered into a lease agreement with the United Telephone Company of Pennsylvania LLC for the rental of a parking lot located within the Borough. The lease will expire on September 30, 2017, and thereafter will automatically renew upon the same terms and conditions for 2 successive periods of 5 years each. Either party may terminate the lease agreement at any time by giving notice of termination at least 90 days prior to the expiration. The yearly lease fee is \$1,200 to be paid in advance. The Borough offers parking to Borough residents and visitors at a monthly fee or an hour-by-hour basis with the use of parking meters.

NOTE 16 – FUND BALANCE

Restricted Fund Balance

The Borough's restricted fund balances are amounts restricted by outside parties. As of December 31, 2013, the Borough's restricted fund balance was \$1,208,099, which consisted of funds in the amount of \$122,382 restricted for use by the Commonwealth of Pennsylvania for Highway Aid purposes; \$3,394 restricted for drug investigation purposes; \$939,709 restricted by outside grants and donations for capital improvements; \$138,224 restricted for debt payments; and \$4,390 for donations received for the Police AED Program and National Night Out.

Assigned Fund Balance

As of December 31, 2013, the Borough's assigned fund balance of \$530,037 consisted of funds set aside for the 2014 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 Borough has paid \$618,149 through December 31, 2013. The Project is scheduled to be completed during 2014.

During 2013, the Borough awarded a bid and contract for the Northwest River Trail Services Building to Purcell Construction in the amount of \$1,932,210. The Borough has paid \$217,466 through December 31, 2013.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 18 – ELECTRICAL PLANT MANAGEMENT AND PROFESSIONAL SERVICES AGREEMENT

During 2013, the Borough entered into an agreement with Covanta Harrisburg, Inc. for the purpose of providing certain management and professional services at the Susquehanna Resource Management Complex, owned by the Lancaster County Sewer and Waste Management Authority (LCSWMA). LCSWMA will lease the electrical plant to the Borough, and the Borough will sell the electricity and capacity generated by the electrical plant to the Department of General Services of the Commonwealth of Pennsylvania under a 20-year Power Purchase Agreement. The Borough entered into this agreement with Covanta Harrisburg for services not being performed by LCSWMA.

NOTE 19 – SUBSEQUENT EVENT

In April of 2014, the Borough received their first monthly payment from LCSWMA for their participation with the electrical plant. The Borough is to receive \$50,000 annually, in monthly installments, for use of the Borough's name as a licensed energy distributor. There will be no fiscal activity on the Borough's financial statements, other than the \$50,000 annual fee revenue.

OTHER INFORMATION
OF
BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA
DECEMBER 31, 2013

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real Estate Taxes and Penalties	\$ 3,735,980	\$ 2,728,016	\$ 2,786,250	\$ 58,234
Other Taxes	1,024,356	1,024,356	1,065,982	41,626
Licenses and Permits	119,350	119,350	121,318	1,968
Fines and Forfeits	168,200	168,200	152,393	(15,807)
Interest, Rents and Royalties	27,200	27,600	18,764	(8,836)
Intergovernmental Revenue	324,645	366,780	373,625	6,845
Charges for Services	452,615	458,415	449,817	(8,598)
Contributions	16,200	16,200	17,953	1,753
Miscellaneous Revenue	<u>20,840</u>	<u>18,440</u>	<u>32,717</u>	<u>14,277</u>
TOTAL REVENUES	<u>5,889,386</u>	<u>4,927,357</u>	<u>5,018,819</u>	<u>91,462</u>
EXPENDITURES				
General Government	1,732,366	734,014	666,889	67,125
Public Safety	2,941,513	2,956,764	2,709,846	246,918
Highways and Streets	692,125	713,314	634,153	79,161
Other Services	17,200	17,600	12,811	4,789
Culture and Recreation	72,600	73,100	59,266	13,834
Debt Service	--	--	2,229	(2,229)
Employee Benefits, Insurance and Other	557,416	555,678	481,577	74,101
Miscellaneous Expenditures	<u>7,161</u>	<u>8,000</u>	<u>5,230</u>	<u>2,770</u>
TOTAL EXPENDITURES	<u>6,020,381</u>	<u>5,058,470</u>	<u>4,572,001</u>	<u>486,469</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(130,995)</u>	<u>(131,113)</u>	<u>446,818</u>	<u>577,931</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	(497,285)	(433,383)	(333,383)	100,000
Refund of Prior Year Expenditures	2,500	2,500	8,020	5,520
Refund of Prior Year Revenue	(100)	(100)	--	100
Sale of Fixed Assets	<u>--</u>	<u>--</u>	<u>2,843</u>	<u>2,843</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(494,885)</u>	<u>(430,983)</u>	<u>(322,520)</u>	<u>108,463</u>
Changes in Fund Balances	(625,880)	(562,096)	124,298	686,394
Fund Balances – January 1, 2013	<u>3,047,877</u>	<u>3,047,877</u>	<u>3,047,877</u>	<u>--</u>
Fund Balances – December 31, 2013	<u>\$ 2,421,997</u>	<u>\$ 2,485,781</u>	<u>\$ 3,172,175</u>	<u>\$ 686,394</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest, Rents and Royalties	\$ 3,400	\$ 4,400	\$ 490	\$ (3,910)
Intergovernmental Revenue	4,530,000	4,933,768	1,563,013	(3,370,755)
Charges for Services	--	--	5,215	5,215
Contributions	<u>144,142</u>	<u>148,357</u>	<u>143,142</u>	<u>(5,215)</u>
TOTAL REVENUES	<u>4,677,542</u>	<u>5,086,525</u>	<u>1,711,860</u>	<u>(3,374,665)</u>
EXPENDITURES				
General Government	100,000	101,000	2,672	98,328
Public Safety	--	4,235	4,235	--
Sanitation	180,000	178,000	178,000	--
Highways and Streets	1,235,862	1,235,862	78,937	1,156,925
Other Services	60,000	60,000	25,476	34,524
Debt Services	220,965	220,978	72,397	133,581
Culture and Recreation	3,368,000	3,760,808	880,102	2,880,706
Miscellaneous Expenditures	<u>10,000</u>	<u>24,025</u>	<u>--</u>	<u>24,025</u>
TOTAL EXPENDITURES	<u>5,174,827</u>	<u>5,569,908</u>	<u>1,241,819</u>	<u>4,328,089</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(497,285)</u>	<u>(483,383)</u>	<u>470,041</u>	<u>953,424</u>
OTHER FINANCING SOURCES (USES)				
Sale of Fixed Assets	100,000	100,000	--	(100,000)
Transfer In	397,285	383,383	333,383	(50,000)
Transfer Out	<u>--</u>	<u>--</u>	<u>(261,815)</u>	<u>(261,815)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>497,285</u>	<u>483,383</u>	<u>71,568</u>	<u>(411,815)</u>
Changes in Fund Balances	--	--	541,609	541,609
Fund Balances – January 1, 2013	<u>398,100</u>	<u>398,100</u>	<u>398,100</u>	<u>--</u>
Fund Balances – December 31, 2013	<u>\$ 398,100</u>	<u>\$ 398,100</u>	<u>\$ 939,709</u>	<u>\$ 541,609</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, 2013**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest, Rents and Royalties	\$ 100	\$ 100	\$ 32	\$ (68)
Intergovernmental Revenue	<u>180,801</u>	<u>180,801</u>	<u>185,977</u>	<u>5,176</u>
TOTAL REVENUES	<u>180,901</u>	<u>180,901</u>	<u>186,009</u>	<u>5,108</u>
 EXPENDITURES				
Highways and Streets	<u>270,272</u>	<u>244,126</u>	<u>121,491</u>	<u>122,635</u>
TOTAL EXPENDITURES	<u>270,272</u>	<u>244,126</u>	<u>121,491</u>	<u>122,635</u>
Changes in Fund Balances	(89,371)	(63,225)	64,518	127,743
Fund Balances – January 1, 2013	<u>57,864</u>	<u>57,864</u>	<u>57,864</u>	<u>--</u>
Fund Balances – December 31, 2013	<u>\$ (31,507)</u>	<u>\$ (5,361)</u>	<u>\$ 122,382</u>	<u>\$ 127,743</u>

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

SUPPLEMENTARY INFORMATION

OF

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

DECEMBER 31, 2013

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**COMBINING STATEMENT OF PRIVATE PURPOSE TRUST FUNDS
MODIFIED CASH BASIS – FIDUCIARY FUNDS
DECEMBER 31, 2013**

	<u>Tree Commission Fund</u>	<u>William F. Lockard Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 11,138	\$ 2,408	\$ 13,546
Investments	<u> --</u>	<u>133,775</u>	<u>133,775</u>
TOTAL ASSETS	<u>\$ 11,138</u>	<u>\$ 136,183</u>	<u>\$ 147,321</u>
LIABILITIES			
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
NET POSITION			
Restricted for Other Projects	<u>11,138</u>	<u>136,183</u>	<u>147,321</u>
TOTAL NET POSITION	<u>11,138</u>	<u>136,183</u>	<u>147,321</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 11,138</u>	<u>\$ 136,183</u>	<u>\$ 147,321</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, 2013**

	<u>Tree Commission Fund</u>	<u>William F. Lockard Trust Fund</u>	<u>Total</u>
ADDITIONS			
Investment Income	\$ 4	\$ 945	\$ 949
Increase in Market Value	--	22,160	22,160
Municipal Contributions	8,040	--	8,040
Membership Dues	<u>3,392</u>	<u>--</u>	<u>3,392</u>
TOTAL ADDITIONS	<u>11,436</u>	<u>23,105</u>	<u>34,541</u>
DEDUCTIONS			
Culture and Recreation	4,094	--	4,094
Miscellaneous Expenses	<u>--</u>	<u>1,212</u>	<u>1,212</u>
TOTAL DEDUCTIONS	<u>4,094</u>	<u>1,212</u>	<u>5,306</u>
Changes in Net Position	7,342	21,893	29,235
Net Position – January 1, 2013	<u>3,796</u>	<u>114,290</u>	<u>118,086</u>
Net Position – December 31, 2013	<u>\$ 11,138</u>	<u>\$ 136,183</u>	<u>\$ 147,321</u>

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

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

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

YEARS ENDED DECEMBER 31, 2009, 2010, 2011, 2012 AND 2013

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
GENERAL FUND					
Beginning Fund Equity	\$ 1,346,583	\$ 1,592,361	\$ 1,706,757	\$ 2,271,585	\$ 3,047,877
Total Revenues and Other Financing Sources	5,079,770	4,940,206	5,266,552	6,165,960	5,029,782
Total Expenditures and Other Financing Uses	<u>(4,833,992)</u>	<u>(4,825,810)</u>	<u>(4,701,724)</u>	<u>(5,389,668)</u>	<u>(4,905,384)</u>
ENDING FUND BALANCE	<u>\$ 1,592,361</u>	<u>\$ 1,706,757</u>	<u>\$ 2,271,585</u>	<u>\$ 3,047,877</u>	<u>\$ 3,172,175</u>
LIQUID FUELS FUND					
Beginning Fund Equity	\$ 124,573	\$ 100,214	\$ 45,408	\$ 91,495	\$ 57,864
Total Revenues and Other Financing Sources	238,879	182,256	185,664	189,322	186,009
Total Expenditures and Other Financing Uses	<u>(263,238)</u>	<u>(237,062)</u>	<u>(139,577)</u>	<u>(222,953)</u>	<u>(121,491)</u>
ENDING FUND BALANCE	<u>\$ 100,214</u>	<u>\$ 45,408</u>	<u>\$ 91,495</u>	<u>\$ 57,864</u>	<u>\$ 122,382</u>
CAPITAL IMPROVEMENT FUND					
Beginning Fund Equity	\$ (375,333)	\$ 556,416	\$ 667,989	\$ 265,270	\$ 398,100
Total Revenues and Other Financing Sources	2,239,172	3,023,895	1,668,263	558,674	2,045,243
Total Expenditures and Other Financing Uses	<u>(1,307,423)</u>	<u>(2,912,322)</u>	<u>(2,070,982)</u>	<u>(425,844)</u>	<u>(1,503,634)</u>
ENDING FUND BALANCE	<u>\$ 556,416</u>	<u>\$ 667,989</u>	<u>\$ 265,270</u>	<u>\$ 398,100</u>	<u>\$ 939,709</u>

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

SINGLE AUDIT INFORMATION
OF
THE BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA
DECEMBER 31, 2013

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards Expended</u>
<u>U.S. Department of Transportation</u>				
Passed through Pennsylvania Department of Transportation				
Highway Planning and Construction	I	20.205	089878	\$ 604,376
Highway Planning and Construction	I	20.205	08A071	217,466
Highway Planning and Construction	I	20.205	089433	<u>4,656</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				<u>826,498</u>
<u>U.S Department of Justice</u>				
Bulletproof Vest Partnership Program	D	16.607	n/a	<u>1,490</u>
TOTAL U.S. DEPARTMENT OF JUSTICE				<u>1,490</u>
TOTAL AWARDS EXPENDED				<u>\$ 827,988</u>

D = Direct Funding
I = Indirect Funding

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

NOTE 2 – RECONCILIATION OF SAFE ROUTES TO SCHOOL GRANT #089433

The Borough received funds in the amount of \$64,831 during the year ended December 31, 2013 for the Safe Routes to School Grant. The majority of the engineering costs to start the project were incurred prior to January 1, 2013 and are therefore not reflected in the above figure of \$4,656. Applications for reimbursement were delayed for various reasons outside of the Borough's control.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each governmental major fund and the aggregate remaining fund information of the Borough of Columbia as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough of Columbia's basic financial statements, and have issued our report thereon dated April 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Columbia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the Borough of Columbia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Columbia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the borough's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (2013-1) that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Columbia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Borough of Columbia's Response to Findings

The Borough of Columbia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Borough of Columbia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sager, Swisher and Company, LLP

Columbia, Pennsylvania
April 14, 2014

SAGER, SWISHER AND COMPANY, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Borough of Columbia's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Borough of Columbia's major federal programs for the year ended December 31, 2013. The Borough of Columbia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Columbia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Columbia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Borough of Columbia's compliance.

Opinion on Each Major Federal Program

In our opinion, the Borough of Columbia complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Borough of Columbia is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. In planning and performing our audit, we considered the Borough of Columbia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Columbia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose.

Sager, Swisher and Company, LLP

Columbia, Pennsylvania
April 14, 2014

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes ___X___ No
- Significant deficiencies identified? ___X___ Yes _____ None Reported
- Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes ___X___ No
- Significant deficiencies identified? _____ Yes ___X___ None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes ___X___ No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes ___X___ No

Section II – Financial Statement Findings

**2013-1 Incomplete Financial Reporting
Significant Deficiency**

During our audit, we noted that the Borough did not record all transactions related to the issuance of the General Obligation Note – Series of 2013 and the subsequent payoff of the USDA loan previously held by the Borough. We proposed journal entries to record these transactions on the Borough’s Debt Service Fund as part of our audit.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013**

Section II – Financial Statement Findings (Continued)

**2013-1 Incomplete Financial Reporting (Continued)
Significant Deficiency**

We recommend that all financial transactions that occur within the reporting period be recorded to accurately reflect the financial position of the Borough, regardless of whether cash was transferred as a result of the transaction.

Borough's Response:

The Borough has now established a debt service fund to account for all future debt refinancing.

Section III – Federal Award Findings and Questioned Costs

There were no current year findings or questioned costs.