

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

DECEMBER 31, 2015

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**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

DECEMBER 31, 2015

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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 major fund, and the aggregate remaining fund information of the Borough of Columbia as of and for the year ended December 31, 2015, 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 modified 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Adverse
General Fund	Unmodified
Capital Projects Fund	Unmodified
Enterprise Funds	Adverse
Aggregate Remaining Fund Information	Unmodified

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, 2015, 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, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Columbia as of December 31, 2015, 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 principles generally accepted in the United States of America. Our opinions are not modified with respect to this 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 basis financial statements. The combining capital projects fund financial statements, the combining nonmajor governmental fund 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining capital projects fund financial statements, the combining nonmajor governmental fund 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 capital projects fund financial statements, the combining nonmajor governmental fund statements, 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 28 to 30, and the schedule of changes in net pension liability and schedule of employer contributions on pages 31 and 32, which are the responsibility of management, are presented for purposes of additional analysis and are 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 May 2, 2016 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
May 2, 2016

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2015**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 3,798,753
Investments	8,509,009
Due from Authority	<u>236,184</u>
TOTAL ASSETS	<u>\$ 12,543,946</u>
LIABILITIES	
Payroll Withholdings	\$ 20
Deposits and Escrows	<u>226,148</u>
TOTAL LIABILITIES	<u>226,168</u>
NET POSITION	
Restricted	8,627,078
Unrestricted	<u>3,690,700</u>
TOTAL NET POSITION	<u>12,317,778</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,543,946</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, 2015**

<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>
Primary Government					
Governmental Activities					
General Government	\$ 611,449	\$ 313,038	\$ --	\$ --	\$ (298,411)
Public Safety	3,176,050	291,523	127,267	--	(2,757,260)
Sanitation	117,627	48,261	--	--	(69,366)
Highways and Streets	2,303,912	87,371	--	1,296,627	(919,914)
Other Services	20,691	11,739	--	--	(8,952)
Culture and Recreation	199,886	2,225	19,435	150,657	(27,569)
Debt Service	246,071	--	--	--	(246,071)
Employee Benefits, Insurance and Other	515,444	32,496	219,567	--	(263,381)
Miscellaneous Expenses	<u>802</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(802)</u>
Total Primary Government	<u>\$ 7,191,932</u>	<u>\$ 786,653</u>	<u>\$ 366,269</u>	<u>\$ 1,447,284</u>	<u>(4,591,726)</u>
General Revenues					
					2,816,799
					1,323,897
					12,150
					8,591,544
					22,697
					51,900
					73,125
					<u>9,177</u>
					<u>12,901,289</u>
					8,309,563
					<u>4,008,215</u>
					<u>\$ 12,317,778</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, 2015**

	Major Funds			Total
	General Fund	Capital Projects Fund	Nonmajor Funds	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 3,449,897	\$ 91,856	\$ 257,000	\$ 3,798,753
Investments	--	8,509,009	--	8,509,009
Due from Other Funds	366,377	109,849	--	476,226
Due from Authority	234,364	1,820	--	236,184
Total Current Assets	4,050,638	8,712,534	257,000	13,020,172
TOTAL ASSETS	\$ 4,050,638	\$ 8,712,534	\$ 257,000	\$ 13,020,172
LIABILITIES				
Due to Other Funds	\$ 109,849	\$ 366,377	\$ --	\$ 476,226
Payroll Withholdings	20	--	--	20
Deposits and Escrows	226,148	--	--	226,148
TOTAL LIABILITIES	336,017	366,377	--	702,394
FUND BALANCES				
Restricted	23,921	8,346,157	257,000	8,627,078
Assigned	788,123	--	--	788,123
Unassigned	2,902,577	--	--	2,902,577
TOTAL FUND BALANCES	3,714,621	8,346,157	257,000	12,317,778
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,050,638	\$ 8,712,534	\$ 257,000	\$ 13,020,172

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, 2015**

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	
REVENUES				
Real Estate Taxes and Penalties	\$ 2,816,799	\$ --	\$ --	\$ 2,816,799
Other Taxes	1,203,684	--	--	1,203,684
Licenses and Permits	148,143	--	--	148,143
Fines and Forfeits	142,264	--	--	142,264
Interest, Rents and Royalties	25,032	9,357	47	34,436
Intergovernmental Revenue	342,834	1,237,351	219,933	1,800,118
Charges for Services	558,119	593	--	558,712
Contributions	25,585	--	--	25,585
Miscellaneous Revenue	46,188	--	--	46,188
TOTAL REVENUES	<u>5,308,648</u>	<u>1,247,301</u>	<u>219,980</u>	<u>6,775,929</u>
EXPENDITURES				
General Government	597,691	13,758	--	611,449
Public Safety	3,137,437	38,613	--	3,176,050
Sanitation	--	117,627	--	117,627
Highways and Streets	676,933	1,433,028	193,951	2,303,912
Other Services	13,630	7,061	--	20,691
Culture and Recreation	118,828	81,058	--	199,886
Debt Service	--	107,904	138,167	246,071
Employee Benefits, Insurance and Other	515,444	--	--	515,444
Miscellaneous Expenditures	802	--	--	802
TOTAL EXPENDITURES	<u>5,060,765</u>	<u>1,799,049</u>	<u>332,118</u>	<u>7,191,932</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>247,883</u>	<u>(551,748)</u>	<u>(112,138)</u>	<u>(416,003)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	--	72,337	139,153	211,490
Transfer Out	(211,490)	--	--	(211,490)
Lease Proceeds	--	73,125	--	73,125
Refund of Prior Year Expenditures	8,997	--	--	8,997
Transfer from Component Unit	--	8,591,544	--	8,591,544
Sale of Capital Assets	--	51,900	--	51,900
TOTAL OTHER FINANCING SOURCES (USES)	<u>(202,493)</u>	<u>8,788,906</u>	<u>139,153</u>	<u>8,725,566</u>
Changes in Fund Balances	45,390	8,237,158	27,015	8,309,563
Fund Balances – January 1, 2015	<u>3,669,231</u>	<u>108,999</u>	<u>229,985</u>	<u>4,008,215</u>
Fund Balances – December 31, 2015	<u>\$ 3,714,621</u>	<u>\$ 8,346,157</u>	<u>\$ 257,000</u>	<u>\$ 12,317,778</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, 2015**

	<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	\$ --	\$ --	\$ 10,442
Investments	<u>1,190,806</u>	<u>6,653,201</u>	<u>130,195</u>
TOTAL ASSETS	<u>\$ 1,190,806</u>	<u>\$ 6,653,201</u>	<u>\$ 140,637</u>
LIABILITIES	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
NET POSITION			
Restricted for			
Pension Benefits	1,190,806	6,653,201	--
Other Projects	<u>--</u>	<u>--</u>	<u>140,637</u>
TOTAL NET POSITION	<u>1,190,806</u>	<u>6,653,201</u>	<u>140,637</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,190,806</u>	<u>\$ 6,653,201</u>	<u>\$ 140,637</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, 2015**

	<u>Pension Trust</u>		<u>Private Purpose Trust Funds</u>
	<u>Non- Uniform Pension Fund</u>	<u>Police Pension Fund</u>	
ADDITIONS			
State Contributions – Act 205	\$ --	\$ 219,567	\$ --
Municipal Contributions	73,301	203,000	3,000
Investment Income	299	--	1,060
Employee Contributions	--	44,640	--
Membership Dues	--	--	3,830
	<u>73,600</u>	<u>467,207</u>	<u>7,890</u>
TOTAL ADDITIONS			
	<u>73,600</u>	<u>467,207</u>	<u>7,890</u>
DEDUCTIONS			
Decrease in Market Value	--	39,967	5,327
Distributions and Benefit Payments	10,391	234,121	--
Administrative Fees	80	30,876	--
Culture and Recreation	--	--	5,385
Miscellaneous Expenses	--	--	2,760
	<u>10,471</u>	<u>304,964</u>	<u>13,472</u>
TOTAL DEDUCTIONS			
	<u>10,471</u>	<u>304,964</u>	<u>13,472</u>
Changes in Net Position	63,129	162,243	(5,582)
Net Position – January 1, 2015	<u>1,127,677</u>	<u>6,490,958</u>	<u>146,219</u>
Net Position – December 31, 2015	<u>\$ 1,190,806</u>	<u>\$ 6,653,201</u>	<u>\$ 140,637</u>

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

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015**

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 and Highway Reserve 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.

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

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, 2015**

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 year-end are reported as assigned fund balance. As of December 31, 2015, 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, 2015, the Borough did not have any deferred outflows of resources.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015, 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, 2015, the Borough's committed fund balance 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.

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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Compensated Absences

It is the Borough's policy to permit employees to accumulate earned but unused vacation and paid leave benefits. An expenditure for these amounts is reported in the governmental funds only when paid out to employees. Vacation/paid leave is payable to all employees regardless of how their employment with the Borough is terminated. Accrued sick leave is calculated for the retirement liabilities as stated in the union contracts.

O. Pensions

The financial statements for the Borough of Columbia Police Pension Plan are prepared using an accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

All investments of the pension trust fund are reported by the custodian at fair value. Investments that do not have an established market value are reported at estimated fair value.

P. Date of Management's Review

Management has evaluated subsequent events through May 2, 2016, 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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

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, 2015, \$2,926,978 of the Borough's bank balance of \$4,027,346 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>2,926,978</u>
	\$	<u>2,926,978</u>

Reconciliation to Financial Statements

Uninsured Amount Above	\$	2,926,978
Plus: Insured Amount		733,528
Less: Outstanding Checks		<u>(218,504)</u>
Carrying Amount - Bank Balances		3,442,002
Plus: PA Invest - Money Market		8
PLGIT		366,960
Cash on Hand		<u>225</u>
Total Cash per Financial Statements	\$	<u>3,809,195</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, 2015, none of the Borough's investments of \$8,639,204 were 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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

Investments

As of December 31, 2015, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Wells Fargo - Brokerage Account	\$ 8,509,009
Wells Fargo - Investment Account (Lockard Trust)	<u>130,195</u>
	<u>\$ 8,639,204</u>

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>
Wells Fargo	\$ 8,640,730	68.22%
Integrity Bank	2,528,747	19.96%
BB&T	991,075	7.82%
Institutions less than 5%	<u>505,998</u>	<u>4.00%</u>
	<u>\$ 12,666,550</u>	<u>100.00%</u>

NOTE 3 – INVESTMENTS - PENSION TRUST FUNDS

Investments

As of December 31, 2015, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>	
<u>Police Pension Fund</u>		
Principal Financial Group	\$ 6,653,201	84.82%
<u>Non-Uniformed Pension Fund</u>		
Principal Financial Group	<u>1,190,806</u>	<u>15.18%</u>
	<u>\$ 7,844,007</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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015 was \$212,192, all of which was estimated to be collectible by management. The real estate taxes receivable decreased by \$3,863 over the previous year balance of \$216,055.

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, 2015 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.

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	\$ 2,229,817	\$ 255,971	\$ 2,485,788
Additional Borrowings	73,125	--	73,125
Principal Retirement	(100,217)	--	(100,217)
Increase in Compensated Absences	--	11,196	11,196
End of Year	<u>\$ 2,202,725</u>	<u>\$ 267,167</u>	<u>\$ 2,469,892</u>

Long-term debt consists of the following:

	<u>December 31, 2015</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Series 2013 – General Obligation Note	\$ 2,129,600	2.540%	6/15/2038
PNC – Municipal Lease	<u>73,125</u>	2.850%	12/15/2019
	<u>\$ 2,202,725</u>		

Long-term debt consists of the Series of 2013 General Obligation Note issued by Fulton Bank and a Municipal Lease through PNC Bank. 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 Municipal Lease through PNC Bank was for the purchase of equipment for use in the highway department. The lease has a 5-year term.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 84,700	\$ 53,557	\$ 138,257
2017	86,800	51,393	138,193
2018	89,000	49,174	138,174
2019	91,300	46,899	138,199
2020	93,600	44,566	138,166
2021-2025	418,800	272,265	691,065
2026-2030	419,900	271,249	691,149
2031-2035	527,800	163,279	691,079
2036-2038	<u>317,700</u>	<u>27,919</u>	<u>345,619</u>
	<u>\$ 2,129,600</u>	<u>\$ 980,301</u>	<u>\$ 3,109,901</u>

The calculated future annual lease payments required to amortize the PNC Municipal Lease outstanding as of December 31, 2015 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 13,815	\$ 2,084	\$ 15,899
2017	14,208	1,691	15,899
2018	14,613	1,286	15,899
2019	15,030	869	15,899
2020	<u>15,459</u>	<u>440</u>	<u>15,899</u>
	<u>\$ 73,125</u>	<u>\$ 6,370</u>	<u>\$ 79,495</u>

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, 2015 was \$10,985,000 and is reported on the financial statements of the Authority.

Compensated Absences

Accrued compensated absences of \$267,167 consists of accrued vacation/paid leave of \$246,239 and accrued sick leave liability of \$20,928. The accrued vacation/paid leave is computed for all employees who had not used all of their allowable vacation time as of December 31, 2015. The Borough did not have any compensated absence payouts during the year ended December 31, 2015.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 – DUE TO/FROM OTHER FUNDS AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2015 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 366,377	\$ 109,849
Capital Improvement Fund	--	366,377
Highway Reserve Fund	<u>109,849</u>	<u>--</u>
	<u>\$ 476,226</u>	<u>\$ 476,226</u>

The interfund balance between the General Fund and Capital Improvement Fund represents amounts owed for normal operating costs to be reimbursed. The General Fund balance to the Highway Reserve Fund represents electric generation fees earned.

Transfers between funds during the year ended December 31, 2015 were as follows:

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund	\$ --	\$ 211,490
Capital Projects Fund	72,337	--
Debt Service Fund	<u>139,153</u>	<u>--</u>
	<u>\$ 211,490</u>	<u>\$ 211,490</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 General Fund for debt principal and interest payments.

NOTE 7 – PENSION PLANS

POLICE PENSION PLAN

Plan Description

The Borough of Columbia Police Pension Plan is a contributory, single-employer retirement plan that covers all full-time uniformed police officers of the Borough.

Benefit Provisions

The plan provides retirement, termination, disability and death benefits to plan members and their beneficiaries, pursuant to Act 600 of 1956, as amended. A participant is eligible for normal retirement after attainment of age 50 and upon completion of 25 years of vesting service.

The normal retirement benefit is calculated as 50% of average compensation, plus a service increment of \$75 per month for each completed year of benefit service in excess of 25 years, up to a maximum service increment of \$450 per month. Average compensation is calculated as the average of all earnings paid by the Borough, excluding unused sick and vacation pay at termination, over the final 36 months of employment.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 – PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

Benefit Provisions (Continued)

A member's earned or accrued benefit prior to his normal retirement date is equal to the benefit calculated under the normal retirement benefit formula, multiplied by the ratio of his years of benefit service to date to the total years of benefit service he would have worked had he continued employment to his normal retirement date. If a member continues to work beyond his normal retirement date, he will be eligible to receive his accrued pension payable at his late retirement date.

If a member is disabled in the line of duty, he will receive a disability retirement pension equal to 50% of the salary he was receiving at the time of his disablement reduced by any Social Security disability benefits payable due to the same illness or injury. If a member who is eligible for retirement under the plan dies but is not killed in the line of duty, his surviving spouse or eligible children will receive a pension equal to 50% of the pension the member would have received had he been retired at the time of his death.

Plan Membership

As of December 31, 2015, there were seventeen (17) active plan members, and nine (9) retirees and beneficiaries receiving benefits.

Plan Funding

Member contributions are established at 5% of compensation, but may be reduced or eliminated on an annual basis by resolution. Officers who are members in the plan are required to contribute 3.0% of their salaries to the plan. Interest is credited to each member's account each year at 2.0% per year. The member contribution will increase to 4.0% for 2016 and 2017, and 5.0% for 2018 and later years. Administrative costs and investment costs of the plan are financed through an addition to the Actuarially Determined Employer Contribution.

The plan's funding policy provides for periodic employer contributions, determined actuarially, that are sufficient to accumulate assets to pay benefits when due. The Borough is required to contribute each year the Minimum Municipal Obligation (MMO), which is determined the previous year based on the most recent actuarial valuation. The Borough may allocate General Municipal Pension State Aid toward the Minimum Municipal Obligation; however, the Borough is ultimately responsible for funding the MMO.

The annual required contribution of the plan, the annual pension cost contributed and the net pension obligation for the years ended December 31, 2006 through December 31, 2015 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>	
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%	--
2014	276,813	100%+	0%	--
2015	422,567	100%+	0%	--

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 – PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

Net Pension Liability

The net pension liability was measured as of January 1, 2015, and the total pension liability was determined by rolling forward the liabilities from the January 1, 2015 actuarial valuation. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability as of January 1, 2015 was determined using the following economic assumptions, applied to all periods included in the measurement.

Inflation: 3.0%
Salary Increases: 6.5%
Investment Return: 4.5% (including inflation)

Mortality rates were based on the RP-2000 Mortality tables for males and females, with mortality rates projected to 2013 using Scale AA.

The long term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Determination of Long-Term Expected Rate of Return

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>	<u>Contribution to Rate of Return</u>
Asset Class:			
Small/Mid-Cap Domestic Equity	7.60%	6.50%	.49%
Large-Cap Domestic Equity	29.90%	6.25%	1.87%
International Equity	12.50%	6.00%	.75%
Real Estate	10.00%	5.00%	.50%
Fixed Income	<u>40.00%</u>	1.00%	<u>.40%</u>
Total	<u>100.00%</u>		4.01%
Inflation			<u>2.50%</u>
Long-Term Expected Rate of Return			<u>6.51%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.5%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer's funding policy requires the full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 – PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 1/1/15	\$ 7,300,037	\$ 6,490,843	\$ 809,194
Changes for the Year:			
Service Cost	258,340	--	258,340
Interest	483,686	--	483,686
Employer Contributions	--	422,567	(422,567)
Employee Contributions	--	44,755	(44,755)
Net Investment Income	--	(39,967)	39,967
Benefits Payments	(234,121)	(234,121)	--
Administrative Expenses	--	(30,876)	30,876
Net Changes	507,905	(162,358)	345,547
Balances at 12/31/2015	\$ 7,807,942	\$ 6,653,201	\$ 1,154,741

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 6.50 percent, as well as what the pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Total Pension Liability	\$ 9,001,158	\$ 7,807,942	\$ 6,828,328
Plan Fiduciary Net Position	(6,653,201)	(6,653,201)	(6,653,201)
Net Pension Liability	\$ 2,347,957	\$ 1,154,741	\$ 175,127

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2015, the Borough reported pension expense of \$422,567. At December 31, 2015, the Borough reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net Difference between Projected and Actual Investment Earnings	\$ 374,758
	\$ 374,758

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 – PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

\$374,758 reported as deferred outflows of resources related to pensions resulting from Borough contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

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 2015, 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 \$1,026,553 and resulted in a contribution paid in 2015 of \$71,859.

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 2015 were \$27,241.

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 collective 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
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 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>2015</u> <u>Police</u>	<u>2014</u> <u>Police</u>	<u>2013</u> <u>Police</u>
Annual Required Contribution (ARC)	\$ 445,348	\$ 445,348	\$ 445,348
Interest on Net OPEB Obligation	80,191	68,571	56,577
Adjustment to ARC	<u>(182,491)</u>	<u>(156,047)</u>	<u>(128,851)</u>
Annual OPEB Cost	343,048	357,872	373,174
Contributions Made (Estimated)	<u>(71,089)</u>	<u>(67,370)</u>	<u>(73,313)</u>
Increase in Net OPEB Obligation	271,959	290,502	299,861
Net OPEB Obligation – Beginning of Year	<u>2,004,780</u>	<u>1,714,278</u>	<u>1,414,417</u>
Net OPEB Obligation – End of Year	<u>\$ 2,276,739</u>	<u>\$ 2,004,780</u>	<u>\$ 1,714,278</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%
1-1-13	--	2,803,960	2,803,960	0.00%	1,304,752	214.9%

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 12 – RESTRICTED NET POSITION

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.

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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015, the Borough is not aware of any additional assessments relating to the pool.

NOTE 14 – DUE FROM OTHER GOVERNMENTS

The balance of \$236,184 represents the funds owed by the Columbia Municipal Authority. The balance consists of December 2015 expenses reimbursed by the Authority in January 2016.

NOTE 15 – OPERATING LEASES

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 \$70,001. 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 \$150,259. The lease does contain a non-appropriation clause. The Borough has the option to purchase the leased assets at any time during the lease in accordance with the lease agreement.

In March 2014, the Borough entered into an operating lease for various police capital equipment purchases. The lease is for a term of five years and requires annual payments of \$23,034. The total amount outstanding on the lease is \$88,930. The lease does contain a non-appropriation clause. The Borough has the option to purchase the leased assets at any time during the lease in accordance with the lease agreement.

The Borough also entered into a lease agreement with LEAF Capital Funding, LLC for the rental of two Xerox copiers for 60 months at a rate of \$176 per month per copier. The lease will expire in 2019.

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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 16 – FUND BALANCE

Restricted Fund Balance

The Borough's restricted fund balances are amounts restricted by outside parties. As of December 31, 2015, the Borough's restricted fund balance was \$8,627,078, which consisted of funds in the amount of \$117,850 restricted for use by the Commonwealth of Pennsylvania for Highway Aid purposes; \$17,563 restricted for drug investigation purposes; \$8,346,157 restricted by outside grants and donations for capital improvements; \$139,150 restricted for debt payments; and \$6,358 for donations received for the Police AED Program and National Night Out.

Assigned Fund Balance

As of December 31, 2015, the Borough's assigned fund balance of \$788,123 consisted of funds set aside for the 2016 budget deficit.

NOTE 17 – 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. 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 annual fee revenue, which was \$50,016 during the year ended December 31, 2015.

NOTE 18 – TRANSFER FROM COMPONENT UNIT

During 2015, the Borough and Columbia Municipal Authority sold the Wastewater Treatment System to Lancaster Area Sewer Authority (LASA) for \$8,600,000 and other valuable considerations. The proceeds from the sale were transferred to the Borough and are reflected on these statements as a transfer from component unit in the amount of \$8,591,544.

NOTE 19 – COMMITMENT

In July 2015, Borough Council awarded a bid for the 8th Street CDBG Project to Pennsy Supply, Inc. in the amount of \$357,602. The Borough hadn't paid any invoices on this project prior to year end.

OTHER INFORMATION
OF
BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA
DECEMBER 31, 2015

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Real Estate Taxes and Penalties	\$ 2,737,676	\$ 2,825,000	\$ 2,816,799	\$ (8,201)
Other Taxes	1,026,455	1,026,455	1,203,684	177,229
Licenses and Permits	138,150	141,627	148,143	6,516
Fines and Forfeits	155,000	155,000	142,264	(12,736)
Interest, Rents and Royalties	22,900	22,900	25,032	2,132
Intergovernmental Revenue	380,208	375,478	342,834	(32,644)
Charges for Services	438,858	500,450	558,119	57,669
Contributions	14,000	14,000	25,585	11,585
Miscellaneous Revenue	40,809	45,809	46,188	379
TOTAL REVENUES	<u>4,954,056</u>	<u>5,106,719</u>	<u>5,308,648</u>	<u>201,929</u>
EXPENDITURES				
General Government	698,449	620,518	597,691	22,827
Public Safety	3,294,256	3,357,462	3,137,437	220,025
Highways and Streets	680,075	739,875	676,933	62,942
Other Services	16,900	17,458	13,630	3,828
Culture and Recreation	87,100	145,738	118,828	26,910
Employee Benefits, Insurance and Other	563,124	564,576	515,444	49,132
Miscellaneous Expenditures	5,000	17,839	802	17,037
TOTAL EXPENDITURES	<u>5,344,904</u>	<u>5,463,466</u>	<u>5,060,765</u>	<u>402,701</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(390,848)</u>	<u>(356,747)</u>	<u>247,883</u>	<u>604,630</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	(370,432)	(416,419)	(211,490)	204,929
Refund of Prior Year Expenditures	2,500	2,500	8,997	6,497
TOTAL OTHER FINANCING SOURCES (USES)	<u>(367,932)</u>	<u>(413,919)</u>	<u>(202,493)</u>	<u>211,426</u>
Changes in Fund Balances	(758,780)	(770,666)	45,390	816,056
Fund Balances – January 1, 2015	<u>3,669,231</u>	<u>3,669,231</u>	<u>3,669,231</u>	--
Fund Balances – December 31, 2015	<u>\$ 2,910,451</u>	<u>\$ 2,898,565</u>	<u>\$ 3,714,621</u>	<u>\$ 816,056</u>

See accompanying independent auditor's report.

**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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest, Rents and Royalties	\$ 1,000	\$ 1,000	\$ 9,357	\$ 8,357
Intergovernmental Revenue	1,120,000	1,444,194	1,237,351	(206,843)
Charges for Services	1,000	1,000	593	(407)
TOTAL REVENUES	1,122,000	1,446,194	1,247,301	(198,893)
EXPENDITURES				
General Government	--	34,600	13,758	20,842
Public Safety	--	41,230	38,613	2,617
Sanitation	132,000	132,000	117,627	14,373
Highways and Streets	860,000	1,424,500	1,433,028	(8,528)
Other Services	30,000	30,000	7,061	22,939
Culture and Recreation	200,000	240,734	81,058	159,676
Debt Service	120,865	108,050	107,904	146
TOTAL EXPENDITURES	1,342,865	2,011,114	1,799,049	212,065
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(220,865)	(564,920)	(551,748)	13,172
OTHER FINANCING SOURCES (USES)				
Transfer In	167,865	204,929	--	(204,929)
Lease Proceeds	--	--	73,125	73,125
Sale of Capital Assets	--	51,900	51,900	--
Transfer from Component Unit	--	8,600,000	8,591,544	(8,456)
TOTAL OTHER FINANCING SOURCES (USES)	167,865	8,856,829	8,716,569	(140,260)
Changes in Fund Balances	(53,000)	8,291,909	8,164,821	(127,088)
Fund Balances – January 1, 2015	71,487	71,487	71,487	--
Fund Balances – December 31, 2015	\$ 18,487	\$ 8,363,396	\$ 8,236,308	\$ (127,088)

See accompanying independent auditor's report.

**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, 2015**

	<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	\$ --	\$ 100	\$ 47	\$ (53)
Intergovernmental Revenue	<u>213,760</u>	<u>219,933</u>	<u>219,933</u>	<u>--</u>
TOTAL REVENUES	<u>213,760</u>	<u>220,033</u>	<u>219,980</u>	<u>(53)</u>
EXPENDITURES				
Highways and Streets	<u>336,921</u>	<u>311,854</u>	<u>193,951</u>	<u>117,903</u>
TOTAL EXPENDITURES	<u>336,921</u>	<u>311,854</u>	<u>193,951</u>	<u>117,903</u>
Changes in Fund Balances	(123,161)	(91,821)	26,029	117,850
Fund Balances – January 1, 2015	<u>91,821</u>	<u>91,821</u>	<u>91,821</u>	<u>--</u>
Fund Balances – December 31, 2015	<u>\$ (31,340)</u>	<u>\$ --</u>	<u>\$ 117,850</u>	<u>\$ 117,850</u>

See accompanying independent auditor's report.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
POLICE PENSION PLAN
DECEMBER 31, 2015**

	<u>Measurement Year Ending 12/31/2015</u>
<u>Total Pension Liability</u>	
Service Cost	\$ 258,340
Interest	483,686
Benefit Payments, Including Refunds of Member Contributions	<u>(234,121)</u>
Net Change in Total Pension Liability	507,905
Total Pension Liability – Beginning	<u>7,300,037</u>
Total Pension Liability – Ending	<u>\$ 7,807,942</u>
<u>Plan Fiduciary Net Pension</u>	
Contributions – Employer	\$ 422,567
Contributions – Member	44,755
Net Investment Income	(39,967)
Benefit Payments, Including Refunds of Member Contributions	(234,121)
Administrative Expense	<u>(30,876)</u>
Net Change in Plan Fiduciary Net Position	162,358
Plan Fiduciary Net Position – Beginning	<u>6,490,843</u>
Plan Fiduciary Net Position – Ending	<u>\$ 6,653,201</u>
Net Pension Liability – Ending	<u>\$ 1,154,741</u>
Plan fiduciary net position as a percentage of the total pension liability	85.21%
Covered-employee payroll	\$ 1,393,785
Borough’s net pension liability as a percentage of covered-employee payroll	82.85%
Notes to Schedule:	
Plan Changes: None	
Assumption Changes: None	

See accompanying independent auditor’s report.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION PLAN
DECEMBER 31, 2015**

	<u>2015</u>
Actuarially Determined Contribution	\$ 422,567
Contributions in Relation to the Actuarially Determined Contribution	<u>422,567</u>
Contribution Deficiency/(Excess)	<u>\$ --</u>
Covered-Employee Payroll	\$1,393,785
Contributions as a Percentage of Covered-Employee Payroll	30.32%

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the fiscal year in which the contributions are reported.

A summary of the key assumptions and methods used to determine the contribution rates:

- Actuarial Cost Method: Entry Age
- Amortization Period: Level dollar, Closed
- Remaining Amortization Period: 10\2 years
- Asset Valuation Method: The actuarial value of assets is equal to the market value for actuarial valuation purposes.
- Salary Increases: 4.5%
- Investment Rate of Return: 6.5%
- Retirement Age: Members are assumed retire on their normal retirement date, or on the valuation date if later.
- Mortality: RP-2000 Table, with morality rates projected to 2013 using Scale AA

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

OF

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

DECEMBER 31, 2015

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**COMBINING BALANCE SHEET – MODIFIED CASH BASIS
CAPITAL PROJECTS FUND
DECEMBER 31, 2015**

	<u>Capital Improvement Fund</u>	<u>Highway Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 91,856	\$ --	\$ 91,856
Investments	8,509,009	--	8,509,009
Due from Other Funds	--	109,849	109,849
Due from Authority	<u>1,820</u>	<u>--</u>	<u>1,820</u>
TOTAL ASSETS	<u>\$ 8,602,685</u>	<u>\$ 109,849</u>	<u>\$ 8,712,534</u>
LIABILITIES			
Due to Other Funds	<u>\$ 366,377</u>	<u>\$ --</u>	<u>\$ 366,377</u>
TOTAL LIABILITIES	<u>366,377</u>	<u>--</u>	<u>366,377</u>
FUND BALANCES			
Restricted	<u>8,236,308</u>	<u>109,849</u>	<u>8,346,157</u>
TOTAL FUND BALANCES	<u>8,236,308</u>	<u>109,849</u>	<u>8,346,157</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,602,685</u>	<u>\$ 109,849</u>	<u>\$ 8,712,534</u>

See accompanying independent auditor's report.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS – CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2015**

	Capital Improvement Fund	Highway Reserve Fund	Total
REVENUES			
Interest, Rents, and Royalties	\$ 9,357	\$ --	\$ 9,357
Intergovernmental Revenues	1,237,351	--	1,237,351
Charges for Services	593	--	593
TOTAL REVENUES	1,247,301	--	1,247,301
EXPENDITURES			
General Government	13,758	--	13,758
Public Safety	38,613	--	38,613
Sanitation	117,627	--	117,627
Highways and Streets	1,433,028	--	1,433,028
Other Services	7,061	--	7,061
Culture and Recreation	81,058	--	81,058
Debt Service	107,904	--	107,904
TOTAL EXPENDITURES	1,799,049	--	1,799,049
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(551,748)	--	(551,748)
OTHER FINANCING SOURCES			
Transfer In	--	72,337	72,337
Sale of Capital Assets	51,900	--	51,900
Transfer from Component Unit	8,591,544	--	8,591,544
Lease Proceeds	73,125	--	73,125
TOTAL OTHER FINANCING SOURCES	8,716,569	72,337	8,788,906
Changes in Fund Balances	8,164,821	72,337	8,237,158
Fund Balances – January 1, 2015	71,487	37,512	108,999
Fund Balances – December 31, 2015	\$ 8,236,308	\$ 109,849	\$ 8,346,157

See accompanying independent auditor's report.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**COMBINING BALANCE SHEET – MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Debt Service Fund	Liquid Fuels Fund	Total
ASSETS			
Cash and Cash Equivalents	<u>\$ 139,150</u>	<u>\$ 117,850</u>	<u>\$ 257,000</u>
TOTAL ASSETS	<u>\$ 139,150</u>	<u>\$ 117,850</u>	<u>\$ 257,000</u>
LIABILITIES	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
FUND BALANCES			
Restricted	<u>139,150</u>	<u>117,850</u>	<u>257,000</u>
TOTAL FUND BALANCES	<u>139,150</u>	<u>117,850</u>	<u>257,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 139,150</u>	<u>\$ 117,850</u>	<u>\$ 257,000</u>

See accompanying independent auditor's report.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015**

	<u>Debt Service Fund</u>	<u>Liquid Fuels Fund</u>	<u>Total</u>
REVENUES			
Interest, Rents, and Royalties	\$ --	\$ 47	\$ 47
Intergovernmental Revenues	<u>--</u>	<u>219,933</u>	<u>219,933</u>
TOTAL REVENUES	<u>--</u>	<u>219,980</u>	<u>219,980</u>
EXPENDITURES			
Highways and Streets	--	193,951	193,951
Debt Service	<u>138,167</u>	<u>--</u>	<u>138,167</u>
TOTAL EXPENDITURES	<u>138,167</u>	<u>193,951</u>	<u>332,118</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(138,167)</u>	<u>26,029</u>	<u>(112,138)</u>
OTHER FINANCING SOURCES			
Transfer In	<u>139,153</u>	<u>--</u>	<u>139,153</u>
TOTAL OTHER FINANCING SOURCES	<u>139,153</u>	<u>--</u>	<u>139,153</u>
Changes in Fund Balances	986	26,029	27,015
Fund Balances – January 1, 2015	<u>138,164</u>	<u>91,821</u>	<u>229,985</u>
Fund Balances – December 31, 2015	<u>\$ 139,150</u>	<u>\$ 117,850</u>	<u>\$ 257,000</u>

See accompanying independent auditor's report.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**COMBINING STATEMENT OF PRIVATE PURPOSE TRUST FUNDS
MODIFIED CASH BASIS – FIDUCIARY FUNDS
DECEMBER 31, 2015**

	<u>Tree Commission Fund</u>	<u>William F. Lockard Trust Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 8,916	\$ 1,526	\$ 10,442
Investments	<u> --</u>	<u>130,195</u>	<u>130,195</u>
TOTAL ASSETS	<u>\$ 8,916</u>	<u>\$ 131,721</u>	<u>\$ 140,637</u>
LIABILITIES			
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
NET POSITION			
Restricted for Other Projects	<u>8,916</u>	<u>131,721</u>	<u>140,637</u>
TOTAL NET POSITION	<u>8,916</u>	<u>131,721</u>	<u>140,637</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,916</u>	<u>\$ 131,721</u>	<u>\$ 140,637</u>

See accompanying independent auditor's report.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF CHANGES IN PRIVATE PURPOSE TRUST FUNDS
MODIFIED CASH BASIS – FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2015**

	<u>Tree Commission Fund</u>	<u>William F. Lockard Trust Fund</u>	<u>Total</u>
ADDITIONS			
Investment Income	\$ 4	\$ 1,056	\$ 1,060
Municipal Contributions	3,000	--	3,000
Membership Dues	<u>3,830</u>	<u>--</u>	<u>3,830</u>
TOTAL ADDITIONS	<u>6,834</u>	<u>1,056</u>	<u>7,890</u>
DEDUCTIONS			
Decrease in Market Value	--	5,327	5,327
Culture and Recreation	5,385	--	5,385
Miscellaneous Expenses	<u>--</u>	<u>2,760</u>	<u>2,760</u>
TOTAL DEDUCTIONS	<u>5,385</u>	<u>8,087</u>	<u>13,472</u>
Changes in Net Position	1,449	(7,031)	(5,582)
Net Position – January 1, 2015	<u>7,467</u>	<u>138,752</u>	<u>146,219</u>
Net Position – December 31, 2015	<u>\$ 8,916</u>	<u>\$ 131,721</u>	<u>\$ 140,637</u>

See accompanying independent auditor's report.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

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

YEARS ENDED DECEMBER 31, 2011, 2012, 2013, 2014 AND 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
GENERAL FUND					
Beginning Fund Equity	\$ 1,706,757	\$ 2,271,585	\$ 3,047,877	\$ 3,172,175	\$ 3,669,231
Total Revenues and Other Financing Sources	5,266,552	6,165,960	5,029,682	5,572,039	5,317,645
Total Expenditures and Other Financing Uses	<u>(4,701,724)</u>	<u>(5,389,668)</u>	<u>(4,905,384)</u>	<u>(5,074,983)</u>	<u>(5,272,255)</u>
ENDING FUND BALANCE	<u>\$ 2,271,585</u>	<u>\$ 3,047,877</u>	<u>\$ 3,172,175</u>	<u>\$ 3,669,231</u>	<u>\$ 3,714,621</u>
LIQUID FUELS FUND					
Beginning Fund Equity	\$ 45,408	\$ 91,495	\$ 57,864	\$ 122,382	\$ 91,821
Total Revenues and Other Financing Sources	185,664	189,322	186,009	200,307	219,980
Total Expenditures and Other Financing Uses	<u>(139,577)</u>	<u>(222,953)</u>	<u>(121,491)</u>	<u>(230,868)</u>	<u>(193,951)</u>
ENDING FUND BALANCE	<u>\$ 91,495</u>	<u>\$ 57,864</u>	<u>\$ 122,382</u>	<u>\$ 91,821</u>	<u>\$ 117,850</u>
CAPITAL IMPROVEMENT FUND					
Beginning Fund Equity	\$ 667,989	\$ 265,270	\$ 398,100	\$ 939,709	\$ 71,487
Total Revenues and Other Financing Sources	1,668,263	558,674	2,045,243	2,999,228	9,963,870
Total Expenditures and Other Financing Uses	<u>(2,070,982)</u>	<u>(425,844)</u>	<u>(1,503,634)</u>	<u>(3,867,450)</u>	<u>(1,799,049)</u>
ENDING FUND BALANCE	<u>\$ 265,270</u>	<u>\$ 398,100</u>	<u>\$ 939,709</u>	<u>\$ 71,487</u>	<u>\$ 8,236,308</u>

See accompanying independent auditor's report.

SINGLE AUDIT INFORMATION

OF

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

DECEMBER 31, 2015

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015**

<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	\$ 63,157
Highway Planning and Construction	I	20.205	089433	<u>1,076,694</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				<u>1,139,851</u>
TOTAL AWARDS EXPENDED				<u>\$ 1,139,851</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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

See accompanying independent auditor's report.

SAGER, SWISHER AND COMPANY, LLP

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Edward M. Sager (1932-2011)
C. Edwin Swisher, III, CPA, Inactive

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 major fund and the aggregate remaining fund information of the Borough of Columbia as of and for the year ended December 31, 2015, 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 May 2, 2016.

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 of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (2015-001) 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 findings identified in our audit is described in the accompanying schedule of finding 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
May 2, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 *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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 of 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, 2015.

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 of compliance, 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly this report is not suitable for any other purpose.

Sager, Swisher and Company, LLP

Columbia, Pennsylvania
May 2, 2016

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015**

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 2 CFR 200.516(a)? _____ 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: \$750,000

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

Section II – Financial Statement Findings

2015-001 Vendor Check Written and Held Significant Deficiency

Criteria: Under the modified cash basis of accounting, expenses arising as a result of cash transactions are recognized. An expense is to be paid when a product or good has been received, and a valid invoice has been received from the vendor.

Condition: During our audit, we noted that the Borough issued a check payable for a large equipment purchase prior to December 31, 2015, but did not process the check for mailing. We discovered that the equipment being purchased was not yet available from the vendor, and an invoice had not been received. The check remained outstanding on the bank reconciliation, as it had not been mailed for payment.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015**

Section II – Financial Statement Findings (Continued)

Cause: The Borough had budgeted for the expenditure during the year ended December 31, 2015, and had ordered the equipment in October 2015 with the belief that it would be received before year end. The Borough issued the check in order to record the expenditure against the budgeted line item in 2015.

Effect: Capital expenditures were overstated by \$127,931 for the purchase of equipment. As part of our audit, we proposed a journal entry to reverse the expenditure, as well as to reverse the outstanding check against cash in the amount of \$127,931.

Recommendation: We recommend that the Borough follow proper internal controls for processing of disbursements. The Borough should mail checks as soon as they are written, and are properly authorized with the required signatures, and only write checks based on valid vendor invoices. Expenditures should be recorded in the period when incurred and paid.

Views of responsible officials and planned corrective actions: The Borough did not intentionally overstate capital expenditures, as they were under the impression that the equipment would be available shortly after year end, and it was ordered earlier in the year. Due to unforeseen delays, the equipment took significantly longer than anticipated. In the future, the Borough will ensure that checks are mailed as soon as they are written, upon authorization, and with the required signatures, based on a valid vendor invoice. All expenditures will be recorded in the period when incurred and paid.

Section III – Federal Award Findings and Questioned Costs

There were no current year findings or questioned costs.



Leo S. Lutz, Mayor
Kelly Murphy, Council President

Robert L. Pfannebecker, Solicitor
Greg A Saha, Borough Manager

CORRECTIVE ACTION PLAN

Financial Statement Finding 2015-001

Condition and Criteria: The Borough issued a check payable for equipment prior to year-end that was not processed for mailing. The Borough had budgeted for the expenditure in 2015, and had ordered the equipment with the belief it would be available before year-end. As a result, capital expenditures were overstated by \$127,931.

Auditee Response: The borough cut a check for \$127,931 in December 2015 based on the information from the vendor that the equipment would be in any day. We did not know that once the equipment was in it had to be unfitted and go to another vendor to finish the truck. The truck did come in January 3, 2016 but was sent to the up fitter and it stayed there for a couple of months. We questioned what the status was and were told it would be any day now. In the future the Borough will make sure that checks are mailed as soon as they are written, will make sure they are properly authorized with the required signatures and only write checks based on valid vendor invoices. Finally all expenditures will be recorded in the period when incurred and paid.



Georgianna Schreck
Manager of Finance and Human Resources