

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
DECEMBER 31, 2009

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

DECEMBER 31, 2009

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INDEPENDENT AUDITORS' REPORT

Mayor and Members of Council
Borough of Columbia
Columbia, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Columbia as of and for the year ended December 31, 2009, which collectively comprise the basic financial statements of the Borough's primary government as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the Borough prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the accompanying financial statements are not intended to be presented in conformity with the accounting principles generally accepted in the United States of America.

The financial statements referred to above include only the primary government of the Borough of Columbia, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Borough's legal entity. The financial statements do not include financial data for the Borough's legally separate component units, which accounting principles generally accepted in the United States of America, as applied to the Borough's modified cash basis of accounting, require to be reported with the financial data of the Borough's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the modified cash basis financial position of the reporting entity of the Borough of Columbia as of December 31, 2009, and the changes in its modified cash basis financial position and cash flows, where applicable, for the year then ended in conformity with the basis of accounting described in Note 1.

Borough of Columbia
Columbia, Pennsylvania

In our opinion, except for the omissions described above, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the Borough of Columbia, as of December 31, 2009, and the respective changes in modified cash basis financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The Borough of Columbia has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 23-25 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sager, Swisher and Company, LLP

Columbia, Pennsylvania
March 29, 2010

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
DECEMBER 31, 2009

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,059,144
Other Receivables	<u>4,080</u>
TOTAL ASSETS	<u>\$ 3,063,224</u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Due to Authority	\$ 566,826
Payroll Withholdings	1,377
Deposits and Escrows	<u>246,030</u>
TOTAL LIABILITIES	<u>814,233</u>
NET ASSETS	
Restricted	613,547
Unrestricted	<u>1,635,444</u>
TOTAL NET ASSETS	<u>2,248,991</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,063,224</u>

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

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
					<u>Total Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 656,502	\$ 286,967	\$ --	\$ --	\$ (369,535)
Public Safety	1,814,361	232,011	150,096	--	(1,432,254)
Sanitation	--	31,106	22,908	--	54,014
Highways and Streets	1,482,886	63,489	385,686	470,491	(563,220)
Other Services	56,433	--	--	--	(56,433)
Culture and Recreation	349,703	50,540	117,255	635,724	453,816
Debt Service	248,017	24,000	--	--	(224,017)
Employee Benefits, Insurance and Other	980,514	10,527	168,306	--	(801,681)
Miscellaneous Expenses	<u>1,025</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,025)</u>
Total Primary Government	\$ 5,589,441	\$ 698,640	\$ 844,251	\$1,106,215	(2,940,335)
General Revenues:					
Property Taxes, Levied for General Purposes, Net					2,777,396
Other Taxes and Franchise Fees Levied for Specific Purposes, Net					1,280,057
Contributions Not Restricted					19,853
Investment Earnings					<u>16,197</u>
Total General Revenues					<u>4,093,503</u>
Change in Net Assets					1,153,168
Net Assets – January 1, 2009					<u>1,095,823</u>
Net Assets – December 31, 2009					<u>\$ 2,248,991</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, 2009**

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Liquid Fuels Funds</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,168,951	\$ 789,979	\$ 100,214	\$ 3,059,144
Due from Other Funds	<u>237,643</u>	<u>--</u>	<u>--</u>	<u>237,643</u>
TOTAL ASSETS	<u>\$ 2,406,594</u>	<u>\$ 789,979</u>	<u>\$ 100,214</u>	<u>\$ 3,296,787</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Other Funds	\$ --	\$ 233,563	\$ --	\$ 233,563
Due to Authority	566,826	--	--	566,826
Payroll Withholdings	1,377	--	--	1,377
Deposits and Escrows	<u>246,030</u>	<u>--</u>	<u>--</u>	<u>246,030</u>
TOTAL LIABILITIES	<u>814,233</u>	<u>233,563</u>	<u>--</u>	<u>1,047,796</u>
FUND BALANCES				
Reserve for:				
Highways	--	--	100,214	100,214
Police Activities	6,972	--	--	6,972
Capital Improvements	--	506,361	--	506,361
Unreserved Fund Balance	<u>1,585,389</u>	<u>50,055</u>	<u>--</u>	<u>1,635,444</u>
TOTAL FUND BALANCES	<u>1,592,361</u>	<u>556,416</u>	<u>100,214</u>	<u>2,248,991</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,406,594</u>	<u>\$ 789,979</u>	<u>\$ 100,214</u>	<u>\$ 3,296,787</u>

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

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	
	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Liquid Fuels Funds</u>	<u>Total</u>
REVENUES				
Real Estate Taxes and Penalties	\$ 2,777,396	\$ --	\$ --	\$ 2,777,396
Other Taxes	1,171,759	--	--	1,171,759
Licenses and Permits	111,423	--	--	111,423
Fines and Forfeits	168,128	--	--	168,128
Interest, Rents and Royalties	64,330	1,324	1,083	66,737
Intergovernmental Revenue	322,296	1,320,699	188,665	1,831,660
Charges for Services	432,122	9,448	--	441,570
Contributions	14,634	67,739	--	82,373
Miscellaneous Revenue	<u>17,682</u>	<u>24,000</u>	<u>49,131</u>	<u>90,813</u>
TOTAL REVENUES	<u>5,079,770</u>	<u>1,423,210</u>	<u>238,879</u>	<u>6,741,859</u>
EXPENDITURES				
General Government	555,769	100,733	--	656,502
Public Safety	1,794,551	19,810	--	1,814,361
Highways and Streets	576,275	643,373	263,238	1,482,886
Other Services	56,433	--	--	56,433
Culture and Recreation	50,661	299,042	--	349,703
Debt Service	3,552	244,465	--	248,017
Employee Benefits, Insurance and Other	980,514	--	--	980,514
Miscellaneous Expenditures	<u>1,025</u>	<u>--</u>	<u>--</u>	<u>1,025</u>
TOTAL EXPENDITURES	<u>4,018,780</u>	<u>1,307,423</u>	<u>263,238</u>	<u>5,589,441</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,060,990</u>	<u>115,787</u>	<u>(24,359)</u>	<u>1,152,418</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	(815,212)	815,212	--	--
Refund of Prior Year Expense	<u>--</u>	<u>750</u>	<u>--</u>	<u>750</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(815,212)</u>	<u>815,962</u>	<u>--</u>	<u>750</u>
NET CHANGE IN FUND BALANCES	245,778	931,749	(24,359)	1,153,168
FUND BALANCES - JANUARY 1, 2009	<u>1,346,583</u>	<u>(375,333)</u>	<u>124,573</u>	<u>1,095,823</u>
FUND BALANCES - DECEMBER 31, 2009	<u>\$ 1,592,361</u>	<u>\$ 556,416</u>	<u>\$ 100,214</u>	<u>\$ 2,248,991</u>

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

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS – FIDUCIARY FUNDS
DECEMBER 31, 2009

	Pension Trust		Private
	Non-Uniform Pension Fund	Police Pension Fund	Purpose Trust Funds
ASSETS			
Cash and Cash Equivalents	\$ --	\$ --	\$ 16,824
Investments	<u>930,958</u>	<u>4,094,738</u>	<u>91,851</u>
TOTAL ASSETS	<u>\$ 930,958</u>	<u>\$ 4,094,738</u>	<u>\$ 108,675</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Due to Other Funds	\$ --	\$ 4,080	\$ --
NET ASSETS			
Held in Trust for:			
Pension Benefits	930,958	4,090,658	--
Other Projects	<u>--</u>	<u>--</u>	<u>108,675</u>
TOTAL NET ASSETS	<u>930,958</u>	<u>4,090,658</u>	<u>108,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 930,958</u>	<u>\$ 4,094,738</u>	<u>\$ 108,675</u>

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

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
MODIFIED CASH BASIS – FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Pension Trust</u>		<u>Private</u>
	<u>Non-Uniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Purpose Trust Funds</u>
ADDITIONS			
State Contributions – Act 205	\$ 62,959	\$ 122,346	\$ --
Investment Income	166,309	715,077	2,038
Municipal Contributions	25,410	--	--
Employee Contributions	--	36,464	--
Donations	--	--	10,389
Increase in Market Value	--	--	20,795
TOTAL ADDITIONS	<u>254,678</u>	<u>873,887</u>	<u>33,222</u>
DEDUCTIONS			
Distributions and Benefit Payments	7,500	205,760	--
Administrative Fees	--	31,705	--
Culture and Recreation	--	--	8,737
Miscellaneous Expenses	--	--	800
TOTAL DEDUCTIONS	<u>7,500</u>	<u>237,465</u>	<u>9,537</u>
CHANGE IN NET ASSETS	247,178	636,422	23,685
NET ASSETS – JANUARY 1, 2009	<u>683,780</u>	<u>3,454,236</u>	<u>84,990</u>
NET ASSETS – DECEMBER 31, 2009	<u>\$ 930,958</u>	<u>\$ 4,090,658</u>	<u>\$ 108,675</u>

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

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 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 assets 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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

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

The Borough reports the following major governmental funds:

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

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

Additionally, the Borough reports the following nonmajor governmental fund:

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

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

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

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

D. Basis of Accounting

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

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

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 7 – PENSION PLANS (Continued)

NONUNIFORM PENSION PLAN (Continued)

The contribution to the defined contribution money purchase plan to purchase mutual funds was calculated using the salary amount of \$1,163,944 and resulted in a contribution paid in 2009 of \$88,369.

DEFERRED COMPENSATION PLAN

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

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

The total employee contributions to the deferred compensation plan for 2009 were \$22,479.

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

Police Officers

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

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

Actuarial Valuation

An actuarial study as of January 1, 2009 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, 2009; (1) a 4.0% rate of return; (2) rates of turnover ranging from 5.5% at age 20 to 0% at age 50; (3) mortality life expectancies based on the GA 1983 table; (4) disability expectancies based on the SOA 1987 group LTD table; (5) retirement latest of age 50, age at the completion of 25 years of service, or age on valuation date; (6) 100% are employees are assumed to elect coverage on retiring; (7) 80% of eligible retiring officers are assumed to have a spouse who elects coverage under the plan; (8) health care costs are assumed to increase 11% in 2009, decreasing 1% per year to an ultimate rate of 5% in 2015. Dental and vision insurance costs are assumed to increase by 5% per year.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

Annual Required Contribution (ARC)

	<u>Police</u>
Normal Cost	\$ 194,784
Amortization of Unfunded Actuarial Accrued Liability	<u>214,233</u>
Annual Required Contribution (ARC)	\$ 409,017
Less: Estimated Pay-As-You-Go Cost	<u>(41,272)</u>
Net OPEB Obligation	<u>\$ 367,745</u>

Funded Status and Funding Progress

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

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

NOTE 9 – COLUMBIA MUNICIPAL AUTHORITY (A Component Unit)

The Columbia Municipal 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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 12 – RESTRICTED NET ASSETS

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

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

NOTE 13 – PARTICIPATION IN RISK SHARING POOL

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

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

As of December 31, 2009, the Borough is not aware of any additional assessments relating to the pool.

NOTE 14 – DUE TO OTHER GOVERNMENTS

The balance of \$566,826 represents the funds owed to the Columbia Municipal Authority. The balance consists of the balance held in the Borough's cash management account. Interest calculated at .35% for 2009 was \$3,552 and is included in the balance due.

Reconciliation of Amount Owed to Columbia Municipal Authority:

Balance Due January 1, 2009	\$ 722,611
Adjustment to Sewer Operating Expenses net of Reimbursements	(6,438)
Interest on Sewer Operating funds held by Borough	<u>3,552</u>
Balance due December 31, 2009	<u>\$ 719,725</u>
Funds Owed to the Columbia Municipal Authority	\$ 719,725
Funds Owed by the Municipal Authority for December Expenditures	<u>(152,899)</u>
Balance due to Municipal Authority at December 31, 2009	<u>\$ 566,826</u>

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 15 – COMMITMENTS

As of December 31, 2009, the Borough was involved in a capital project with the Safe Routes to Schools Grant. The Borough had the following commitment as of December 31, 2009:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid to Date</u>	<u>Commitment Outstanding</u>
Safe Routes to School:			
Rogele, Inc.	\$ 470,140	\$ 441,352	\$ 28,788
Pennoni Associates	--	107,645	4,897
Market House Renovation:			
McCoy Brothers	707,797	174,415	533,382
River Park:			
Horst Excavating	884,131	--	884,131
2 nd Street Project:			
McMinn's Asphalt	268,844	255,226	13,618
Truck Route 441 Engineering			
RK&K Engineering, Inc.	<u>633,847</u>	<u>613,531</u>	<u>20,316</u>
 Total Commitments	 <u>\$2,964,759</u>	 <u>\$1,592,169</u>	 <u>\$1,485,132</u>

REQUIRED SUPPLEMENTARY INFORMATION

OF

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

DECEMBER 31, 2009

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – MODIFIED CASH BASIS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real Estate Taxes and Penalties	\$ 2,814,260	\$ 2,734,260	\$ 2,777,396	\$ 43,136
Other Taxes	1,166,350	986,350	1,171,759	185,409
Licenses and Permits	113,150	110,948	111,423	475
Fines and Forfeits	231,000	181,000	168,128	(12,872)
Interest, Rents and Royalties	75,120	65,120	64,330	(790)
Intergovernmental Revenue	360,000	346,097	322,296	(23,801)
Charges for Services	455,787	447,387	432,122	(15,265)
Contributions	21,000	18,000	14,634	(3,366)
Miscellaneous Revenue	23,938	15,438	17,682	2,244
TOTAL REVENUES	<u>5,260,605</u>	<u>4,904,600</u>	<u>5,079,770</u>	<u>175,170</u>
EXPENDITURES				
General Government	622,093	618,818	555,769	63,049
Public Safety	2,405,196	2,088,616	1,794,551	294,065
Highways and Streets	664,623	635,623	576,275	59,348
Other Services	59,000	59,000	56,433	2,567
Culture and Recreation	57,800	57,800	50,661	7,139
Debt Service	--	--	3,552	(3,552)
Employee Benefits, Insurance and Other	1,127,449	1,124,649	980,514	144,135
Miscellaneous Expenditures	7,561	3,861	1,025	2,836
TOTAL EXPENDITURES	<u>4,943,722</u>	<u>4,588,367</u>	<u>4,018,780</u>	<u>569,587</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>316,883</u>	<u>316,233</u>	<u>1,060,990</u>	<u>744,757</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	(313,883)	(815,212)	(815,212)	--
Refund of Prior Year Expenditures	(3,000)	(3,000)	--	3,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(316,883)</u>	<u>(818,212)</u>	<u>(815,212)</u>	<u>3,000</u>
NET CHANGE IN FUND BALANCES	<u>--</u>	<u>(501,979)</u>	<u>245,778</u>	<u>747,757</u>
FUND BALANCES – JANUARY 1, 2009	<u>1,346,583</u>	<u>1,346,583</u>	<u>1,346,583</u>	<u>--</u>
FUND BALANCES – DECEMBER 31, 2009	<u>\$ 1,346,583</u>	<u>\$ 844,604</u>	<u>\$ 1,592,361</u>	<u>\$ 747,757</u>

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

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – MODIFIED CASH BASIS –CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	\$ --	\$ --	\$ 1,324	\$ 1,324
Intergovernmental Revenue	1,556,550	1,537,059	1,320,699	(216,360)
Charges for Services	7,000	7,000	9,448	2,448
Contributions	20,000	95,000	67,739	(27,261)
Miscellaneous Revenue	959,000	291,172	24,000	(267,172)
TOTAL REVENUES	<u>2,542,550</u>	<u>1,930,231</u>	<u>1,423,210</u>	<u>(507,021)</u>
EXPENDITURES				
General Government	55,000	199,500	100,733	98,767
Public Safety	--	20,000	19,810	190
Sanitation	279,000	--	--	--
Highways and Streets	50,000	790,063	643,373	146,690
Debt Services	1,144,233	244,683	244,465	218
Culture and Recreation	1,328,200	1,273,325	299,042	974,283
TOTAL EXPENDITURES	<u>2,856,433</u>	<u>2,527,571</u>	<u>1,307,423</u>	<u>1,220,148</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(313,883)</u>	<u>(597,340)</u>	<u>115,787</u>	<u>713,127</u>
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	313,883	815,212	815,212	--
Refund of Prior Year Expense	--	--	750	750
TOTAL OTHER FINANCING SOURCES (USES)	<u>313,883</u>	<u>815,212</u>	<u>815,962</u>	<u>750</u>
NET CHANGE IN FUND BALANCES	<u>--</u>	<u>217,872</u>	<u>931,749</u>	<u>713,877</u>
FUND BALANCES – JANUARY 1, 2009	<u>(375,333)</u>	<u>(375,333)</u>	<u>(375,333)</u>	<u>--</u>
FUND BALANCES – DECEMBER 31, 2009	<u>\$ (375,333)</u>	<u>\$ (157,461)</u>	<u>\$ 556,416</u>	<u>\$ 713,877</u>

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

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – MODIFIED CASH BASIS –SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Liquid Fuels Fund				Turnback Funds			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Variance Amounts		Variance with Final Budget Positive (Negative)	Total Actual
	Original	Final			Original/ Final	Actual		
REVENUES								
Interest, Rents and Royalties	\$ 1,000	\$ 845	\$ 845	\$ --	\$ 1,750	\$ 238	\$ (1,512)	\$ 1,083
Intergovernmental Revenue	189,320	188,665	188,665	--	--	--	--	188,665
Miscellaneous Revenues	--	49,131	49,131	--	--	--	--	49,131
TOTAL REVENUES	<u>190,320</u>	<u>238,641</u>	<u>238,641</u>	<u>--</u>	<u>1,750</u>	<u>238</u>	<u>(1,512)</u>	<u>238,879</u>
EXPENDITURES								
Highways and Streets	<u>314,202</u>	<u>206,060</u>	<u>206,060</u>	<u>--</u>	<u>64,348</u>	<u>57,178</u>	<u>7,170</u>	<u>263,238</u>
TOTAL EXPENDITURES	<u>314,202</u>	<u>206,060</u>	<u>206,060</u>	<u>--</u>	<u>64,348</u>	<u>57,178</u>	<u>7,170</u>	<u>263,238</u>
NET CHANGE IN FUND BALANCES	(123,882)	32,581	32,581	--	(62,598)	(56,940)	5,658	(24,359)
FUND BALANCES – JANUARY 1, 2009	<u>57,681</u>	<u>57,681</u>	<u>57,681</u>	<u>--</u>	<u>66,892</u>	<u>66,892</u>	<u>--</u>	<u>124,573</u>
FUND BALANCES – DECEMBER 31, 2009	<u>\$ (66,201)</u>	<u>\$ 90,262</u>	<u>\$ 90,262</u>	<u>\$ --</u>	<u>\$ 4,294</u>	<u>\$ 9,952</u>	<u>\$ 5,658</u>	<u>\$100,214</u>

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

SUPPLEMENTARY INFORMATION

OF

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

DECEMBER 31, 2009

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

COMBINING BALANCE SHEET – MODIFIED CASH BASIS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2009

	<u>State Liquid Fuels Fund</u>	<u>State Liquid Turnback Fund</u>	<u>Total State Liquid Fuels Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 90,262	\$ 9,952	\$ 100,214
TOTAL ASSETS	<u>\$ 90,262</u>	<u>\$ 9,952</u>	<u>\$ 100,214</u>
LIABILITIES	\$ --	\$ --	\$ --
FUND BALANCES			
Reserve for Highways	<u>90,262</u>	<u>9,952</u>	<u>100,214</u>
TOTAL FUND BALANCES	<u>90,262</u>	<u>9,952</u>	<u>100,214</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 90,262</u>	<u>\$ 9,952</u>	<u>\$ 100,214</u>

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

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

COMBINING STATEMENT OF PRIVATE PURPOSE TRUST FUNDS
MODIFIED CASH BASIS – FIDUCIARY FUNDS
DECEMBER 31, 2009

	Tree Commission Fund	William F. Lockard Trust Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 15,177	\$ 1,647	\$ 16,824
Investments	<u>—</u>	<u>91,851</u>	<u>91,851</u>
TOTAL ASSETS	<u>\$ 15,177</u>	<u>\$ 93,498</u>	<u>\$ 108,675</u>
LIABILITIES AND NET ASSETS			
LIABILITIES	\$ —	\$ —	\$ —
NET ASSETS			
Other Projects	<u>15,177</u>	<u>93,498</u>	<u>108,675</u>
TOTAL NET ASSETS	<u>15,177</u>	<u>93,498</u>	<u>108,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,177</u>	<u>\$ 93,498</u>	<u>\$ 108,675</u>

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

BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA

STATEMENT OF CHANGES IN PRIVATE PURPOSE TRUST FUNDS
MODIFIED CASH BASIS – FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Tree Commission Fund</u>	<u>William F. Lockard Trust Fund</u>	<u>Total</u>
ADDITIONS			
Investment Income	\$ 54	\$ 1,984	\$ 2,038
Donations	10,389	--	10,389
Increase in Market Value	<u>--</u>	<u>20,795</u>	<u>20,795</u>
TOTAL ADDITIONS	<u>10,443</u>	<u>22,779</u>	<u>33,222</u>
DEDUCTIONS			
Culture and Recreation	8,737	--	8,737
Miscellaneous Expenses	<u>--</u>	<u>800</u>	<u>800</u>
TOTAL DEDUCTIONS	<u>8,737</u>	<u>800</u>	<u>9,537</u>
CHANGE IN NET ASSETS	1,706	21,979	23,685
NET ASSETS – JANUARY 1, 2009	<u>13,471</u>	<u>71,519</u>	<u>84,990</u>
NET ASSETS – DECEMBER 31, 2009	<u>\$ 15,177</u>	<u>\$ 93,498</u>	<u>\$ 108,675</u>

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

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

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

YEARS ENDED DECEMBER 31, 2005, 2006, 2007, 2008 AND 2009

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
GENERAL FUND					
Beginning Fund Equity	\$ 134,628	\$ 378,175	\$ 503,413	\$ 998,296	\$ 1,346,583
Total Revenues and Other Financing Sources	4,300,738	4,631,598	4,653,299	5,068,702	5,079,770
Total Expenditures and Other Financing Uses	<u>(4,057,191)</u>	<u>(4,506,360)</u>	<u>(4,158,416)</u>	<u>(4,720,415)</u>	<u>(4,833,992)</u>
ENDING FUND EQUITY	<u>\$ 378,175</u>	<u>\$ 503,413</u>	<u>\$ 998,296</u>	<u>\$ 1,346,583</u>	<u>\$ 1,592,361</u>
LIQUID FUELS FUND					
Beginning Fund Equity	\$ 107,357	\$ 123,006	\$ 183,647	\$ 311,130	\$ 124,573
Total Revenues and Other Financing Sources	188,542	237,347	186,658	203,162	238,879
Total Expenditures and Other Financing Uses	<u>(172,893)</u>	<u>(176,706)</u>	<u>(59,175)</u>	<u>(389,719)</u>	<u>(263,238)</u>
ENDING FUND EQUITY	<u>\$ 123,006</u>	<u>\$ 183,647</u>	<u>\$ 311,130</u>	<u>\$ 124,573</u>	<u>\$ 100,214</u>
CAPITAL IMPROVEMENT FUND					
Beginning Fund Equity	\$ (213,194)	\$ (1,170,427)	\$ (815,577)	\$ (516,375)	\$ (375,333)
Total Revenues and Other Financing Sources	2,888,310	3,963,185	1,615,835	1,269,908	2,239,172
Total Expenditures and Other Financing Uses	<u>(3,845,543)</u>	<u>(3,608,335)</u>	<u>(1,316,633)</u>	<u>(1,128,866)</u>	<u>(1,307,423)</u>
ENDING FUND EQUITY	<u>\$ (1,170,427)</u>	<u>\$ (815,577)</u>	<u>\$ (516,375)</u>	<u>\$ (375,333)</u>	<u>\$ 556,416</u>

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

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

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

Appropriations lapse at the end of the year. Board approval is required for budget amendments. In order to preserve a portion of an appropriation for which an expenditure has been committed by purchase order, contract, or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at the year-end are reported as reservations of fund balances. As of December 31, 2009, 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. Date of Management's Review

Management has evaluated subsequent events through March 29, 2010, the date the financial statements were available to be issued.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a policy for custodial credit risk. As of December 31, 2009, \$2,210,183 of the Borough's bank balance of \$2,702,606 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>2,210,183</u>
	<u>\$ 2,210,183</u>

Reconciliation to Financial Statements

Uninsured Amount Above	\$ 2,210,183
Plus: Insured Amount	492,423
Deposits in Transit	54,557
Less: Outstanding Checks	<u>(82,352)</u>
Carrying Amount - Bank Balances	2,674,811
Plus: PA Invest - Money Market	300,718
PLGIT - Liquid Fuels Fund	100,214
Cash on Hand	<u>225</u>
Total Cash per Financial Statements	<u>\$ 3,075,968</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.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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, 2009, none of the Borough's investments of \$91,851 was exposed to custodial risk.

Investments

As of December 31, 2009, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>
Wells Fargo - Investment Account (Lockard Trust)	\$ 91,851
Total	\$ 91,851

Concentration of Credit Risk – Deposits and Investments

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

<u>Financial Institution</u>	<u>Deposit Amount</u>	<u>Concentration Percentage</u>
Susquehanna Bank	\$ 2,463,696	77.10%
PA Invest	300,718	9.41%
Wachovia Bank	238,910	7.48%
Banks less than 5%	192,066	6.01%
Total	\$ 3,195,390	100.00%

NOTE 3 – INVESTMENTS - PENSION TRUST FUNDS

Investments

As of December 31, 2009, the Borough had the following investments:

<u>Investment</u>	<u>Fair Value</u>	
<u>Police Pension Fund</u>		
Principal Financial Group	\$ 4,094,738	81.48%
<u>Non-Uniformed Pension Fund</u>		
Prudential	930,958	18.52%
	\$ 5,025,696	100.00%

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, 2009**

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, 2009 were \$291,638, all of which was estimated to be collectible by management. The real estate taxes receivable increased by \$31,231 over the previous year balance of \$260,407.

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, 2009 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 general long-term debt account group are as follows:

	<u>Balance December 31, 2008</u>	<u>Increase (Decrease)</u>	<u>Balance December 31, 2009</u>
General Obligation Bonds and Notes Payable	\$ 3,432,747	\$ (46,547)	\$ 3,386,200
Compensated Absences	<u>145,194</u>	<u>24,487</u>	<u>169,681</u>
	<u>\$ 3,577,941</u>	<u>\$ (22,060)</u>	<u>\$ 3,555,881</u>

General long-term debt consists of the following:

	<u>December 31, 2009</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Series 2006-USDA General Obligation Bond	\$ 2,405,988	4.125%	6/1/2046
Series 2007-General Obligation Note	<u>980,212</u>	4.060%	11/21/2019
	<u>\$ 3,386,200</u>		

General long-term debt consists of the Series of 2006 general obligation bond issued by the United States Department of Agriculture (USDA) and the Series of 2007 Note issued by Wachovia Financial Services, Inc. The 2007 note was to provide funds to finance capital projects as well as to payoff the Series 2005 Note issued by Union National Community Bank. The Borough note bears an interest rate of 4.06% payable, interest only, quarterly through November 21, 2009. Commencing on August 22, 2009, the Note shall bear interest at 85 basis points over the BMA Municipal Swap Index and will require quarterly principal and interest payments. In no event will the interest rate exceed 12%. The USDA general obligation bond was to provide funds to finance capital projects (Route 462 Curbs and Sidewalks) and will be repayed with semi-annual installments of \$64,100 over a period of 40 years.

**BOROUGH OF COLUMBIA
COLUMBIA, PENNSYLVANIA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 5 – LONG-TERM DEBT (Continued)

The calculated future annual payments required to amortize the USDA General Obligation Bond outstanding as of December 31, 2009 are as follows:

Year Ended December 31,	Principal	Interest	Total
2010	\$ 29,225	\$ 98,975	\$ 128,200
2011	30,443	97,757	128,200
2012	31,712	96,488	128,200
2013	33,034	95,166	128,200
2014	34,410	93,790	128,200
2015-2019	194,796	446,204	641,000
2020-2024	238,915	402,085	641,000
2025-2029	293,025	347,975	641,000
2030-2034	359,391	281,609	641,000
2035-2039	440,787	200,213	641,000
2040-2044	540,618	100,382	641,000
2045-2047	179,632	7,392	187,024
	<u>\$ 2,405,988</u>	<u>\$ 2,268,036</u>	<u>\$ 4,674,024</u>

The calculated future annual payments required to amortize the Series 2007 General Obligation Note outstanding at December 31, 2009 are as follows:

Year Ended December 31,	Principal	Interest	Total
2010	\$ 82,613	\$ 39,584	\$ 122,197
2011	86,253	35,944	122,197
2012	89,809	32,388	122,197
2013	93,394	28,971	122,365
2014	97,283	25,082	122,365
2015-2019	530,860	61,177	592,037
	<u>\$ 980,212</u>	<u>\$ 223,146</u>	<u>\$1,203,358</u>

The Borough of Columbia also issued and guarantees the General Obligation Note, Series of 2001 on behalf of the Columbia Municipal Authority. The note was to provide funds to finance capital projects of the sewage treatment and transportation facilities. The note was issued for \$1,450,000 and is payable over 20 years until 2024. The interest rate is fixed at 4.32% until July 1, 2009. A variable rate equal to 64% of the "Wall Street Journal Prime Rate" will be used thereafter and adjusted annually. The interest rate as of December 31, 2009 was 2.08%. As of December 31, 2009, the balance of the note was \$1,027,685 and is reported on the financial statements of the Authority.

Compensated Absences

Accrued compensated absences consist of accrued vacation/paid leave of \$169,681. The accrued vacation/paid leave is computed for all employees who had not used all of their allowable vacation time as of December 31, 2009. Vacation/paid leave is payable to all employees regardless of how their employment with the Borough is terminated. The accrued sick leave liability calculated at retirement was \$-0-. Accrued sick leave is calculated for the retirement liabilities as stated in the union contracts.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 – DUE TO/FROM OTHER FUNDS AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2009 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 237,643	\$ --
Police Pension Fund	--	4,080
Capital Improvement Fund	<u>--</u>	<u>233,563</u>
	<u>\$ 237,643</u>	<u>\$ 237,643</u>

Interfund Transfers:

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 815,212	\$ --
Capital Improvement Fund	<u>--</u>	<u>815,212</u>
	<u>\$ 815,212</u>	<u>\$ 815,212</u>

The Borough transferred funds to the Capital Improvement Fund to offset costs related to capital projects. The interfund balance for Police Pension represents an amount reimbursed to the Borough by the administrator for insurance premiums.

NOTE 7 – PENSION PLANS

POLICE PENSION PLAN

Plan Description

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

Eligibility Requirements and Benefits Descriptions

All full-time police employees of the Borough of Columbia are eligible to participate in the pension plan from the date of employment with the Borough's police force. A participant is eligible for normal retirement after attainment of age 50 and upon completion of 25 years of service. At December 31, 2009 there were twenty employees covered by the plan and four retirees receiving retirement benefits.

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NOTE 7 – PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

Contributions and Funding Policy (Continued)

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

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

"Contributions required" are estimates prepared by municipal officials. The estimated contributions may contain immaterial errors which will not affect the long-term funding of the plan. The minimum funding requirements are based on the results of the most recent actuarial valuation report updated to reflect changes in payroll and expenses. The annual required contribution of the plan, the annual pension cost contributed and the net pension obligation for the years ended December 31, 2000 through December 31, 2009 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>	
2000	139,806	100%	0%	--
2001	151,059	100%	0%	--
2002	149,601	100%	0%	--
2003	154,158	100%	0%	--
2004	151,806	100%	0%	--
2005	192,947	100%	0%	--
2006	119,658	100%	0%	--
2007	132,218	100%+	0%	--
2008	132,515	100%+	0%	--
2009	122,346	100%+	0%	--

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NOTE 7 – PENSION PLANS (Continued)

POLICE PENSION PLAN (Continued)

Actuarial Valuation

An actuarial study as of January 1, 2009 was completed by Municipal Finance Partners, Inc. on October 26, 2009. 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, 2009: (1) a 7% rate of return; (2) rates of turnover ranging from 5.5% at age 20 to 0% at age 60; (3) pre-retirement mortality life expectancies based on the GA 1983 table; (4) post-retirement mortality life expectancies based on the GA 1983 table, with 5 year age setback for females; no age setback for males; (5) loading based on the SOA 1987 table for disability; (6) death benefit cost computed on the assumption that all participants will have spouses of the same age at the date of eligibility of the benefit; (7) projected salary increases of 0% per year; (8) normal retirement age; (9) provision for administrative expenses added to cost; (10) moderate inflation based on long-term historical average rate; (11) actuarial value of assets based on market value as determined by the trustee; and (12) level dollar closed amortization method for the unfunded actuarial accrued liability with a remaining amortization period of 8 years.

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

Historical trend information required to be disclosed, beginning as of January 1, 2001 is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial (Liability) /Funding Excess (Deficit)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial (Liability)/ Funding Excess (Deficit) as a Percentage of Payroll</u>
1-1-01	2,699,599	2,774,091	(74,492)	97.3%	799,895	9.3%
1-1-03	2,871,792	3,225,332	(353,540)	89.0%	891,784	39.6%
1-1-05	3,771,598	3,759,176	12,422	100.3%	1,048,720	1.2%
1-1-07	4,739,454	4,328,476	410,978	109.5%	1,200,494	34.2%
1-1-09	4,496,461	5,227,451	(730,990)	86.0%	1,275,907	57.3%

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 2009, 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 Prudential Investments. The mutual funds allow the participant of the plan to invest in a variety of mutual funds, depending on the investment objective and level of risk each participant wants to assume.