

CITY OF COLUMBUS JUNCTION

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

Table of Contents

	<u>Page</u>	
Officials	3	
Independent Auditor’s Report		4-5
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	6
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	7
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	8
Notes to Financial Statements		9-14
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		15
Notes to Required Supplementary Information – Budgetary Reporting		16
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances – Nonmajor Governmental Funds	1	17
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances – Nonmajor Proprietary Funds	2	18
Schedule of Indebtedness	3	19
Bond and Note Maturities	4	20
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 <u>Government Auditing Standards</u>		21-22
Schedule of Findings		23-26
Staff		27

City of Columbus Junction

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Daniel Wilson	Mayor	January 1, 2006
T. Mark Houston	Council Member	January 1, 2008
Ron Dunker	Council Member	January 1, 2008
Phil Kaalberg	Council Member	January 1, 2008
Willy Wever	Council Member	January 1, 2006
Harold Prior	Council Member	January 1, 2006
(After January 2006)		
Daniel Wilson	Mayor	January 1, 2010
T. Mark Houston	Council Member	January 1, 2008
Ron Dunker	Council Member	January 1, 2008
Phil Kaalberg	Council Member	January 1, 2008
C.P. Pierce	Council Member	January 1, 2010
Harold Prior	Council Member	January 1, 2010
Julie Heindel	City Clerk	Indefinite
Timothy K. Wink	City Attorney	Indefinite
Cindy Burroughs	City Treasurer	Indefinite

CITY OF COLUMBUS JUNCTION



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Columbus Junction, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Columbus Junction, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Columbus Junction's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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. Those standards require that I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2005.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the government activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Columbus Junction as of June 30, 2006, and the respective changes in cash basis financial position for year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated June 19, 2007 on my consideration of the City of Columbus Junction's internal control over financial reporting and my 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 my 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Budgetary comparison information on page 15 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

The City of Columbus Junction, Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbus Junction's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
Professional Corporation
June 19, 2007

FINANCIAL STATEMENTS

City of Columbus Junction
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2006

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 239,890	\$ 45,574	\$ -	\$ -
Public works	349,252	6,655	159,078	-
Health and social services	-	-	-	-
Culture and recreation	75,652	3,500	-	-
Community and economic development	2,000	-	-	-
General government	58,916	-	-	-
Debt service	-	-	-	-
Capital projects	1,803,295	-	-	980,073
Total governmental activities	<u>2,529,005</u>	<u>55,729</u>	<u>159,078</u>	<u>980,073</u>
Business type activities				
Meter deposits	6,941	10,664	-	-
Solid waste	111,362	109,623	-	-
Water	199,902	233,073	-	-
Sewer	207,713	176,872	-	-
Total business type activities	<u>525,918</u>	<u>530,232</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,054,923</u>	<u>\$ 585,961</u>	<u>\$ 159,078</u>	<u>\$ 980,073</u>
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Bond proceeds				
Sale of asset				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Unrestricted				
Total cash basis net assets				

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (194,316)	\$ -	\$ (194,316)
(183,519)	-	(183,519)
-	-	-
(72,152)	-	(72,152)
(2,000)	-	(2,000)
(58,916)	-	(58,916)
-	-	-
(823,222)	-	(823,222)
(1,334,125)	-	(1,334,125)
-	3,723	3,723
-	(1,739)	(1,739)
-	33,171	33,171
-	(30,841)	(30,841)
-	4,314	4,314
(1,334,125)	4,314	(1,329,811)
301,462	-	301,462
12,815	-	12,815
-	-	-
14,022	-	14,022
4,644	2,299	6,943
400,000	-	400,000
36,805	-	36,805
769,748	2,299	772,047
(564,377)	6,613	(557,764)
717,101	406,099	1,123,200
\$ 152,724	\$ 412,712	\$ 565,436
152,724	412,712	565,436
\$ 152,724	\$ 412,712	\$ 565,436

See notes to financial statements.

City of Columbus Junction
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2006

	General	Capital Projects	Road Use Tax	Other Non Major Governmental Funds	Total
Receipts:					
Property tax	\$ 301,462	\$ -	\$ -	\$ -	\$ 301,462
TIF revenues	-	-	-	12,815	12,815
Other city taxes	-	-	-	-	-
Licenses and permits	6,655	-	-	-	6,655
Use of money and property	8,143	36,805	-	595	45,543
Intergovernmental	14,022	525,000	159,079	-	698,101
Charges for services	36,331	-	-	-	36,331
Miscellaneous	9,243	454,478	-	-	463,721
Total receipts	<u>375,856</u>	<u>1,016,283</u>	<u>159,079</u>	<u>13,410</u>	<u>1,564,628</u>
Disbursements:					
Operating:					
Public safety	239,890	-	-	-	239,890
Public works	147,056	-	202,196	-	349,252
Culture and recreation	75,652	-	-	-	75,652
Community and economic development	2,000	-	-	-	2,000
General government	52,002	-	-	6,914	58,916
Debt service	-	-	-	-	-
Capital projects	222,238	1,575,175	-	5,882	1,803,295
Total disbursements	<u>738,838</u>	<u>1,575,175</u>	<u>202,196</u>	<u>12,796</u>	<u>2,529,005</u>
(Deficiency) excess of receipts					
(Under) over disbursements	(362,982)	(558,892)	(43,117)	614	(964,377)
Other financing sources (uses)					
Proceeds of long-term debt	150,000	250,000	-	-	400,000
Operating transfers in	-	308,892	-	-	308,892
Operating transfers out	-	-	-	(308,892)	(308,892)
Total other financing sources	<u>150,000</u>	<u>558,892</u>	<u>-</u>	<u>(308,892)</u>	<u>400,000</u>
Net change in cash balances	(212,982)	0	(43,117)	(308,278)	(564,377)
Cash balances beginning of year	230,142	0	169,044	317,915	717,101
Cash balances end of year	<u>\$ 17,160</u>	<u>\$ -</u>	<u>\$ 125,927</u>	<u>\$ 9,637</u>	<u>\$ 152,724</u>
Cash Basis Fund Balances					
Reserved:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:					
General fund	17,160	-	-	-	17,160
Special revenue fund	-	-	125,927	9,197	135,124
Capital projects fund	-	-	-	-	-
Permanent fund	-	-	-	440	440
Total cash basis fund balances	<u>\$ 17,160</u>	<u>\$ -</u>	<u>\$ 125,927</u>	<u>\$ 9,637</u>	<u>\$ 152,724</u>

See notes to financial statements.

City of Columbus Junction
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2006

	Enterprise Funds				Total
	Water	Sewer	Solid Waste	Other Non Major Proprietary Funds	
Operating receipts:					
Use of money and property	\$ 935	\$ 1,364	\$ -	\$ -	\$ 2,299
Charges for services	233,073	176,872	109,623	10,664	530,232
Total receipts	<u>234,008</u>	<u>178,236</u>	<u>109,623</u>	<u>10,664</u>	<u>532,531</u>
Operating disbursements:					
Business type activities	199,902	135,773	111,362	6,941	453,978
Total operating disbursements	<u>199,902</u>	<u>135,773</u>	<u>111,362</u>	<u>6,941</u>	<u>453,978</u>
(Deficiency) excess of operating receipts (under) over operating disbursements	34,106	42,463	(1,739)	3,723	78,553
Non-operating receipts (disbursements)					
Debt service	-	(71,940)	-	-	(71,940)
Total other financing sources	<u>-</u>	<u>(71,940)</u>	<u>-</u>	<u>-</u>	<u>(71,940)</u>
Net change in cash balances	34,106	(29,477)	(1,739)	3,723	6,613
Cash balances beginning of year	<u>180,623</u>	<u>171,522</u>	<u>23,590</u>	<u>30,364</u>	<u>406,099</u>
Cash balances end of year	<u>\$ 214,729</u>	<u>\$ 142,045</u>	<u>\$ 21,851</u>	<u>\$ 34,087</u>	<u>\$ 412,712</u>
Cash Basis Fund Balances					
Unreserved	<u>214,729</u>	<u>142,045</u>	<u>21,851</u>	<u>\$ 34,087</u>	<u>\$ 412,712</u>
Total cash basis fund balances	<u>\$ 214,729</u>	<u>\$ 142,045</u>	<u>\$ 21,851</u>	<u>\$ 34,087</u>	<u>\$ 412,712</u>

See notes to financial statements.

**City of Columbus Junction
Notes to Financial Statements
For the Year Ended June 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Columbus Junction is a political subdivision of the State of Iowa located in Louisa County. It was first incorporated in 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture, and recreation, community and economic development, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens. The population of Columbus Junction was 1,900 according to the 2000 census.

A. Reporting Entity

For financial reporting purposes, the City of Columbus Junction has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific burdens on the City. The City of Columbus Junction has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizens of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Southeast Iowa Regional Planning Commission (SEIRP), Louisa County Solid Waste Commission, Louisa County Drug Task Force.

B. Basis of Presentation

Government-wide Financial Statement – The statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

**City of Columbus Junction
Notes to Financial Statements
For the Year Ended June 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental or proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

**City of Columbus Junction
Notes to Financial Statements
For the Year Ended June 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

C. Measurement Focus and Basis of Accounting

The City of Columbus Junction maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, and capital projects functions.

**City of Columbus Junction
Notes to Financial Statements
For the Year Ended June 30, 2006**

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The city did not have any funds invested in a security considered to be an investment by the Code of Iowa as of June 30, 2006.

NOTE 3 – PENSION AND RETIRMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.7% of their annual covered salary and the City is required to contribute 5.75% of covered salary, except for police employees in which case, percentages are 6.16% and 9.23%, respectively. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2006 was \$21,050, equal to the required contribution for the year.

**City of Columbus Junction
Notes to Financial Statements
For the Year Ended June 30, 2006**

NOTE 4– BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the revenue bonds and notes and bank notes are as follows:

Year Ending June 30,	Revenue Bonds/Notes		Bank Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	25,000	18,700	277,834	16,251	302,834	34,951
2008	26,000	17,757	28,878	4,582	54,878	22,339
2009	26,000	16,775	29,962	3,498	55,962	20,273
2010	28,000	15,792	31,086	2,374	59,086	18,166
2011	29,000	14,741	32,240	1,208	61,240	15,949
2012-2016	161,000	56,558	0	0	161,000	56,558
2017-2021	195,000	23,703	0	0	195,000	23,703
2022-2026	<u>7,000</u>	<u>210</u>	<u>0</u>	<u>0</u>	<u>7,000</u>	<u>210</u>
Total	<u>\$ 497,000</u>	<u>\$ 164,236</u>	<u>\$ 400,000</u>	<u>\$ 27,913</u>	<u>\$ 897,000</u>	<u>\$ 192,149</u>

The resolutions providing for the issuance of the revenue notes and bonds require that the notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Vacation benefits are paid upon termination, retirement, or death. Sick leave benefits are not paid upon termination, retirement, or death. The City does not recognize these accumulations as disbursements until used or paid. The City’s approximate liability for earned vacation and sick leave payable to employees at June 30, 2006, primarily relating to the General Fund is as follows:

Type of Benefit	Amount
Vacation	\$ 6,539
Sick leave	<u>29,459</u>
Total	<u>\$ 35,998</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

**City of Columbus Junction
Notes to Financial Statements
For the Year Ended June 30, 2006**

NOTE 6 – RISK MANAGEMENT

The City of Columbus Junction is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to Capital Projects	Transfer from Library Trust	Amount \$308,892
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REQUIRED SUPPLEMENTARY INFORMATION

City of Columbus Junction
Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 301,462	\$ -	\$ 301,462
Tax increment financing collections	12,815	-	12,815
Other city taxes	-	-	-
Licenses and permits	6,655	-	6,655
Use of money and property	45,543	2,299	47,842
Intergovernmental	698,101	-	698,101
Charges for services	36,331	530,232	566,563
Miscellaneous	463,721	-	463,721
Total receipts	<u>1,564,628</u>	<u>532,531</u>	<u>2,097,159</u>
Disbursements			
Public safety	239,890	-	239,890
Public works	349,252	-	349,252
Culture and recreation	75,652	-	75,652
Community and economic development	2,000	-	2,000
General government	58,916	-	58,916
Debt service	-	-	-
Capital projects	1,803,295	-	1,803,295
Business type activities	-	453,978	453,978
Total disbursements	<u>2,529,005</u>	<u>453,978</u>	<u>2,982,983</u>
Excess of receipts over disbursements	(964,377)	78,553	(885,824)
Other financing sources, net	<u>400,000</u>	<u>(71,940)</u>	<u>328,060</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(564,377)	6,613	(557,764)
Balance, beginning of year	<u>717,101</u>	<u>406,099</u>	<u>1,123,200</u>
Balance, end of year	<u><u>\$ 152,724</u></u>	<u><u>\$ 412,712</u></u>	<u><u>\$ 565,436</u></u>

Budgeted Amounts		Final to
Original	Final	Net
		Variance
\$ 294,439	\$ 294,439	\$ 7,023
12,000	12,000	815
9,623	9,623	(9,623)
6,500	6,500	155
9,500	9,500	38,342
1,882,950	1,884,650	(1,186,549)
559,544	559,544	7,019
17,500	17,500	446,221
<u>2,792,056</u>	<u>2,793,756</u>	<u>(696,597)</u>
237,814	245,814	5,924
172,950	333,950	(15,302)
62,407	62,407	(13,245)
13,000	13,000	11,000
29,333	29,333	(29,583)
20,891	20,891	20,891
1,707,000	1,707,000	(96,295)
547,675	547,675	93,697
<u>2,791,070</u>	<u>2,960,070</u>	<u>(22,913)</u>
986	(166,314)	(719,510)
-	-	(328,060)
986	(166,314)	(391,450)
<u>1,088,060</u>	<u>1,088,060</u>	<u>35,140</u>
<u>\$1,089,046</u>	<u>\$ 921,746</u>	<u>\$ (356,310)</u>

See accompanying independent auditor's report.

City of Columbus Junction
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$169,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, and capital projects functions.

OTHER SUPPLEMENTARY INFORMATION

City of Columbus Junction
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2006

	Special Revenue	Permanent	
	Urban Renewal Tax Increment	Library Trust	Total
Receipts:			
TIF revenues	\$ 12,815	\$ -	\$ 12,815
Use of money	-	595	595
Total receipts	<u>12,815</u>	<u>595</u>	<u>13,410</u>
Disbursements:			
Operating:			
General government	6,914	-	6,914
Capital projects	-	5,882	5,882
Total disbursements	<u>6,914</u>	<u>5,882</u>	<u>12,796</u>
(Deficiency) excess of receipts (Under) over disbursements	5,901	(5,287)	614
Other financing sources (uses)			
Operating transfers out	-	(308,892)	(308,892)
Total other financing sources	<u>-</u>	<u>(308,892)</u>	<u>(308,892)</u>
Net change in cash balances	5,901	(314,179)	(308,278)
Cash balances beginning of year	<u>3,296</u>	<u>314,619</u>	<u>317,915</u>
Cash balances end of year	<u>\$ 9,197</u>	<u>\$ 440</u>	<u>\$ 9,637</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue fund	\$ 9,197	\$ -	\$ 9,197
Permanent fund	-	440	440
Total cash basis fund balances	<u>\$ 9,197</u>	<u>\$ 440</u>	<u>\$ 9,637</u>

See accompanying independent auditor's report.

City of Columbus Junction
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the Year Ended June 30, 2006

	<u>Meter Deposits</u>	<u>Total</u>
Operating receipts:		
Charges for service	\$ 10,664	\$ 10,664
Total receipts	<u>10,664</u>	<u>10,664</u>
Operating disbursements:		
Business type activities	<u>6,941</u>	<u>6,941</u>
Total disbursements	<u>6,941</u>	<u>6,941</u>
(Deficiency) excess of receipts		
(Under) over disbursements	3,723	3,723
Cash balances beginning of year	<u>30,364</u>	<u>30,364</u>
Cash balances end of year	<u>\$ 34,087</u>	<u>\$ 34,087</u>
Cash Basis Fund Balances		
Unreserved	<u>\$ 34,087</u>	<u>\$ 34,087</u>
Total cash basis fund balances	<u>\$ 34,087</u>	<u>\$ 34,087</u>

See accompanying independent auditor's report.

**City of Columbus Junction
Schedule of Indebtedness
For the Year Ended June 30, 2006**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bond:			
Streets	September 19, 2005	3.75%	75,000
Streets	September 19, 2005	3.75%	75,000
Civic Center	November 18, 2005	4.25%	250,000
Revenue Notes:			
Sewer	August 15, 2002	3.00%	101,000
Sewer	February 9, 2001	3.92%	505,000
Sewer	October 15, 2003	5.00%	25,204
Sewer	October 15, 2003	4.50%	25,289
Total			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
-	75,000		75,000	-
-	75,000		75,000	-
-	250,000		250,000	-
89,000		4,000	85,000	2,892
432,000		20,000	412,000	1,903
20,165		20,165	-	1,505
20,127		20,127	-	1,348
<u>\$ 561,292</u>	<u>\$ 400,000</u>	<u>\$ 64,292</u>	<u>\$ 897,000</u>	<u>\$ 7,648</u>

See accompanying independent auditor's report.

**City of Columbus Junction
Bond and Note Maturities
For the Year Ended June 30, 2006**

Bank Loans							
Year Ending June 30,	Streets		Streets		Civic Center		Total
	Issued Sep 19, 2005		Issued Sep 19, 2005		Issued Nov 18, 2005		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2007	3.75%	13,917	3.75%	13,917	4.25%	250,000	277,834
2008	3.75%	14,439	3.75%	14,439		-	28,878
2009	3.75%	14,981	3.75%	14,981		-	29,962
2010	3.75%	15,543	3.75%	15,543		-	31,086
2011	3.75%	16,120	3.75%	16,120		-	32,240
Total		<u>\$ 75,000</u>		<u>\$ 75,000</u>		<u>\$ 250,000</u>	<u>\$ 400,000</u>

Revenue Bonds and Notes					
Year Ending June 30,	Sewer		Sewer		Total
	Issued Aug 15, 2002		Issued Feb 9, 2001		
	Interest Rates	Amount	Interest Rates	Amount	
2007	3.00%	4,000	3.92%	21,000	25,000
2008	3.00%	4,000	3.92%	22,000	26,000
2009	3.00%	4,000	3.92%	22,000	26,000
2010	3.00%	5,000	3.92%	23,000	28,000
2011	3.00%	5,000	3.92%	24,000	29,000
2012	3.00%	5,000	3.92%	25,000	30,000
2013	3.00%	5,000	3.92%	26,000	31,000
2014	3.00%	5,000	3.92%	27,000	32,000
2015	3.00%	5,000	3.92%	28,000	33,000
2016	3.00%	6,000	3.92%	29,000	35,000
2017	3.00%	6,000	3.92%	30,000	36,000
2018	3.00%	6,000	3.92%	32,000	38,000
2019	3.00%	6,000	3.92%	33,000	39,000
2020	3.00%	6,000	3.92%	34,000	40,000
2021	3.00%	6,000	3.92%	36,000	42,000
2022	3.00%	7,000	3.92%	-	7,000
Total		<u>\$ 85,000</u>		<u>\$ 412,000</u>	<u>\$497,000</u>

See accompanying independent auditor's report.



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 Honorable Mayor and
Members of the City Council
Columbus Junction, Iowa

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Columbus Junction, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated June 19, 2007. My report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2005. I conducted my audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Columbus Junction's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Columbus Junction's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe items 2006-I-A, 2006-I-B, and 2006-I-C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Columbus Junction's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Columbus Junction and other parties to whom the City of Columbus Junction may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Columbus Junction during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
Professional Corporation
June 19, 2007

**City of Columbus Junction
Schedule of Findings
For the Year Ended June 30, 2006**

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

2006-I-A

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas for the City:

1. Accounting system – performing all general accounting functions and custody of assets.
2. Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
3. Investments – detailed record keeping, custody of investments and reconciling earnings.
4. Long term debt – recording and reconciling.
5. Receipts – collecting, depositing, journalizing, reconciling, and posting.
6. Utility receipts – billing, collecting, depositing, and posting.
7. Disbursements – check writing, reconciling, and posting.
8. Payroll – preparation, distribution, and posting.
9. Financial reporting – preparing, reconciling, and distributing.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of independent reviews should be indicated by initials of the independent reviewer.

Response – We will consider this.

Conclusion – Response accepted.

2006-I-B

Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – These procedures will be implemented as recommended.

Conclusion – Response accepted.

**City of Columbus Junction
Schedule of Findings
For the Year Ended June 30, 2006**

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS: (Continued)

2006-I-C

Financial Reporting – During the audit, I identified a material amount of TIF revenues misposted to the General Fund rather than the Urban Renewal Tax Increment Account, Special Revenue Fund. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure TIF revenues are properly recorded in the Urban Renewal Tax Increment Account, Special Revenue Fund as required by Chapter 403.19 of the Code of Iowa.

Response – We will record TIF revenues in the proper fund as recommended.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

2006-II-A

Certified Budget – Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the public works, culture and recreation, general government, and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

2006-II-B

Questionable Disbursements –No expenditures for parties, banquets, or other entertainment for employees were noted that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

**City of Columbus Junction
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006**

Part IV Other Findings Related to Statutory Reporting: (Continued)

2006-II-C

Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2006-II-D

Business Transactions – No business transactions between the City and City officials or employees were noted.

2006-II-E

Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

2006-II-F

Council Meetings – No transactions were found that I believe should have been approved in the Council minutes but were not.

2006-II-G

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2006-II-H

Revenue Bonds/Notes – The City is in compliance with all requirements of the revenue bond and note resolutions.

2006-II-I

Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will contact our banks about printing both sides of the checks from now on.

Conclusion – Response accepted.

**City of Columbus Junction
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006**

Part IV Other Findings Related to Statutory Reporting: (Continued)

2006-II-J

TIF Levy – The City levied property tax for TIF revenues, as allowed by Chapter 403.19 of the Code of Iowa, and recorded the TIF revenue collections in the General Fund rather than establishing a separate Special Revenue Fund.

Recommendation – The City should establish a separate Special Revenue Fund for TIF revenues and record the related transactions in the fund.

Response – We will establish a separate Special Revenue Fund and record the related transactions in this fund.

Conclusion – Response accepted.

City of Columbus Junction

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Betty Thomas, CPA