

COLUMBUS COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

COLUMBUS COMMUNITY SCHOOL DISTRICT

Table of Contents

June 30, 2006

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	4-13
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>
Government-wide Financial Statements	
Statement of Net Assets	A 15-16
Statement of Activities	B 17-18
Governmental Fund Financial Statements	
Balance Sheet	C 19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 20
Statement of Revenues, Expenditures and Changes in Fund Balances	E 21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements	
Statement of Net Assets	G 24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 25
Statement of Cash Flows	I 26
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	J 27
Statement of Changes in Fiduciary Net Assets	K 28
NOTES TO FINANCIAL STATEMENTS	29-40
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	42
Notes to Required Supplementary Information - Budgetary Reporting	43

COLUMBUS COMMUNITY SCHOOL DISTRICT

Table of Contents

June 30, 2006

	<u>Schedule</u>	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION		
Nonmajor Governmental Funds		
Combining Balance Sheet	1	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46-47
Nonmajor Proprietary Funds		
Statement of Fund Net Assets	3	48
Statement of Revenues, Expenses and Changes in Fund Net Assets	4	49
Statement of Cash Flows	5	50
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	51
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	52
Schedule of Expenditures of Federal Awards	8	53
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS		54-55
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE		56-57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS		58-62
AUDIT STAFF		63

COLUMBUS COMMUNITY SCHOOL DISTRICT
 Officials
 June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2005 Election)		
Mike Braun	Board President	2006
Dan Peters	Board Member	2005
Georgia Kost	Board Member	2005
Marsha Gerot	Board Member	2006
Ed Smith	Board Member	2007
(After September 2005 Election)		
Mike Braun	Board President	2006
Marsha Gerot	Board Member	2006
Ed Smith	Board Member	2007
Dan Peters	Board Member	2008
Georgia Kost	Board Member	2008
School Officials		
Rich Bridenstine	Superintendent	2006
Tanya Purdy	Business Manager	2006
Gruhn Law Firm	Attorney	2006

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Columbus Community School District

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

I conducted my audit in accordance with U.S. generally accepted auditing standards 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 my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Columbus Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 13, 2006 on my consideration of Columbus Community School District'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 the internal control over financial reporting or on 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 42 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain 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.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Columbus Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic 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.



Kay L. Chapman, CPA PC
October 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Columbus Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,789,053 in fiscal 2005 to \$8,685,393 in fiscal 2006, and General Fund expenditures increased from \$8,502,932 in fiscal 2005 to \$8,693,418 in fiscal 2006. The District's General Fund balance decreased from \$391,587 in fiscal 2005 to \$383,562 in fiscal 2006, a 2% decrease.
- The decrease in General Fund revenues was attributable to a steep decrease in student enrollment in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and grant expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Columbus Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Columbus Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Columbus Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

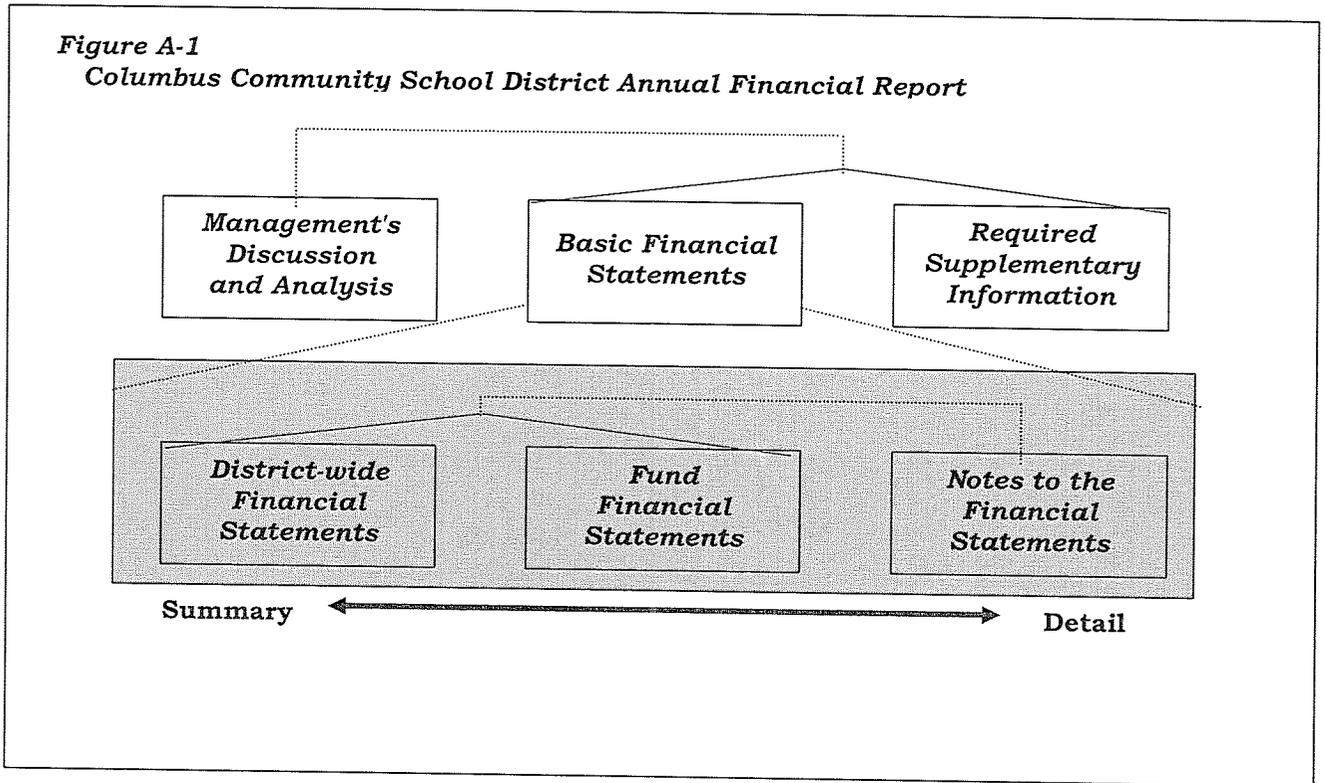


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services, greenhouse, and pool operations	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, greenhouse and pool program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds: the School Nutrition, Greenhouse and Pool Funds.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund and Agency Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for assets held on behalf of other organizations.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Current and other assets	\$ 6,193,173	\$ 5,709,951	\$ 69,458	\$ 60,935	\$ 6,262,631	\$ 5,770,886	8.52%
Capital assets	<u>8,671,232</u>	<u>8,670,745</u>	<u>16,872</u>	<u>22,336</u>	<u>8,688,104</u>	<u>8,693,081</u>	-0.06%
Total assets	<u>14,864,405</u>	<u>14,380,696</u>	<u>86,330</u>	<u>83,271</u>	<u>14,950,735</u>	<u>14,463,967</u>	3.37%
Long-term obligations	5,389,631	5,679,235	-	-	5,389,631	5,679,235	-5.10%
Other liabilities	<u>5,279,552</u>	<u>4,150,934</u>	<u>365</u>	<u>3,438</u>	<u>5,279,917</u>	<u>4,154,372</u>	27.09%
Total liabilities	<u>10,669,183</u>	<u>9,830,169</u>	<u>365</u>	<u>3,438</u>	<u>10,669,548</u>	<u>9,833,607</u>	8.50%
Net assets							
Invested in capital assets, net of related debt	3,356,395	3,103,701	16,872	22,336	3,373,267	3,126,037	7.91%
Restricted	469,583	1,063,811	-	-	469,583	1,063,811	-55.86%
Unrestricted	<u>369,244</u>	<u>315,249</u>	<u>69,093</u>	<u>57,497</u>	<u>438,337</u>	<u>372,746</u>	17.60%
Total net assets	<u>\$ 4,195,222</u>	<u>\$ 4,482,761</u>	<u>\$ 85,965</u>	<u>\$ 79,833</u>	<u>\$ 4,281,187</u>	<u>\$ 4,562,594</u>	-6.17%

The District's combined net assets decreased by approximately 6%, or \$281,407, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less

the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$594,228, or approximately 56% over the prior year. The decrease was primarily the result of the construction projects in progress in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$65,591, or approximately 18%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues							
Program revenues							
Charges for service and sales	\$ 469,393	\$ 491,826	\$ 184,024	\$ 182,098	\$ 653,417	\$ 673,924	-3.04%
Operating grants	1,651,275	1,653,699	345,855	308,543	1,997,130	1,962,242	1.78%
Capital grants	290,547	209,453	-	-	290,547	209,453	38.72%
General revenues							
Property tax	3,431,974	3,397,349	-	-	3,431,974	3,397,349	1.02%
Sales and services tax	643,871	210,532	-	-	643,871	210,532	205.83%
Unrestricted state grants	4,100,940	4,223,320	-	-	4,100,940	4,223,320	-2.90%
Contributions and donations	5,181	16,862	-	-	5,181	16,862	-69.27%
Unrestricted investment earnings	43,645	21,000	343	353	43,988	21,353	106.00%
Other	24,936	4,811	-	-	24,936	4,811	418.31%
Transfers	(23,571)	(23,225)	23,571	23,225	-	-	0.00%
Total revenues	<u>10,638,191</u>	<u>10,205,627</u>	<u>553,793</u>	<u>514,219</u>	<u>11,191,984</u>	<u>10,719,846</u>	4.40%
Program expenses							
Governmental activities							
Instruction	6,316,294	6,121,908	-	-	6,316,294	6,121,908	3.18%
Support services	2,517,139	2,418,879	-	-	2,517,139	2,418,879	4.06%
Non-instructional programs	-	-	547,661	537,650	547,661	537,650	1.86%
Other expenses	2,092,297	932,122	-	-	2,092,297	932,122	124.47%
Loss on disposal of capital assets	-	35,362	-	-	-	35,362	-100.00%
Total expenses	<u>10,925,730</u>	<u>9,508,271</u>	<u>547,661</u>	<u>537,650</u>	<u>11,473,391</u>	<u>10,045,921</u>	14.21%
Change in net assets	<u>\$ (287,539)</u>	<u>\$ 697,356</u>	<u>\$ 6,132</u>	<u>\$ (23,431)</u>	<u>\$ (281,407)</u>	<u>\$ 673,925</u>	-141.76%

In fiscal 2006, property tax and unrestricted state grants account for 71% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 95.7% of the revenue from business type activities.

The District's total revenues were \$11,191,984 of which \$10,638,191 was for governmental activities and \$553,793 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.4% increase in revenues and a 14.2% increase in expenses. Property tax increased \$34,625 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$10,638,191 and expenses were \$10,925,730. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
Instruction	\$ 6,316,294	\$ 6,121,908	3.2%	\$ 4,504,376	\$ 4,368,320	3.1%
Support services	2,517,139	2,418,879	4.1%	2,511,513	2,357,872	6.5%
Non-instructional programs	-	-	0.0%	-	(10,419)	0.0%
Other expenses	<u>2,092,297</u>	<u>932,122</u>	<u>124.5%</u>	<u>1,498,626</u>	<u>402,158</u>	<u>272.6%</u>
Total expenses	<u>\$ 10,925,730</u>	<u>\$ 9,472,909</u>	<u>15.3%</u>	<u>\$ 8,514,515</u>	<u>\$ 7,117,931</u>	<u>19.6%</u>

- The cost financed by users of the District's programs was \$469,393.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,941,822.
- The net cost of governmental activities was financed with \$4,075,845 in property and other taxes and \$4,100,940 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$553,793 representing a 7.7% increase over the prior year and expenses totaled \$547,661, a 1.9% increase over the prior year. The District's business type activities include the School Nutrition Fund, Greenhouse and Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the District student meal prices remained the same as the previous fiscal year with adult lunch prices increasing 25¢ per meal, reflecting the true cost of the meals. The Wildcat fund is still used for expenditures but is no longer an active enterprise activity. The district increased admission prices to the pool but still have a negative balance in the pool fund due to on going maintenance and personnel costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, Columbus Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$938,952, well below last year's ending fund balances of \$1,514,248. However, the primary reason for the decrease in combined fund balances in fiscal 2006 is due to completion of the HS Geothermal heating/cooling construction project during 2006.

Governmental Fund Highlights

- The District's slightly deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was more than offset the District's decrease in General Fund expenditures.
- The General Fund balance decreased from \$391,587 to \$383,562, due to a steep decline in student enrollment and the inability to make expenditure cuts that corresponded with the lack of revenue
- The Capital Projects Fund balance decreased from \$1,004,246 to \$220,001 due to several construction projects in process.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$79,833 at June 30, 2005 to \$85,965 at June 30, 2006, representing an increase of approximately 7.7%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Columbus Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with state and federal grants awarded to the district, increased cost of fuel, and insurance. Other additional costs were computer labs, construction projects and building repairs.

The District's receipts were \$95,097 less than budgeted receipts, a variance of .8%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were \$494,001 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures to correspond with the expected revenue for the general fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the Other Expenditures function due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget. However General Fund expenditures did not exceed the District's authorized spending limit.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$8,688,104, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of .06% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$423,163.

The original cost the District's capital assets was \$13,083,867. Governmental funds account for \$13,005,878, with the remainder of \$77,989 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Land	\$ 406,285	\$ 406,285	\$ -	\$ -	\$ 406,285	\$ 406,285	0.00%
Construction in progress	223,066	1,261,332	-	-	223,066	1,261,332	0.00%
Buildings and improvements	7,115,329	6,005,296	-	-	7,115,329	6,005,296	18.48%
Improvements, other than buildings	458,381	487,755	-	-	458,381	487,755	-6.02%
Furniture and equipment	<u>468,171</u>	<u>510,077</u>	<u>16,872</u>	<u>22,336</u>	<u>485,043</u>	<u>532,413</u>	-8.90%
Totals	<u>\$8,671,232</u>	<u>\$8,670,745</u>	<u>\$16,872</u>	<u>\$22,336</u>	<u>\$8,688,104</u>	<u>\$8,693,081</u>	-0.06%

Long-Term Debt

At June 30, 2006, the District had \$5,389,631 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

This debt is reflected in general obligation bonds for the construction of the Roundy Elementary building, the vocational agriculture building and three new buses. Copier leases and early retirement are also reflected in this indebtedness.

Figure A-7
Outstanding Long-term Obligations

	Total		Total
	School District		Change
	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
General obligation bonds	\$ 3,410,000	\$ 3,620,000	-5.80%
Revenue bonds	850,000	850,000	0.00%
QZAB loan	1,000,000	1,000,000	0.00%
Bank loans	-	78,399	-100.00%
Capital leases	54,837	18,645	194.11%
Early retirement	<u>74,794</u>	<u>112,191</u>	-33.33%
Total	<u>\$ 5,389,631</u>	<u>\$ 5,679,235</u>	-5.10%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced a significant continued decrease in student population.
- Unfunded mandates by the state legislation.
- Inadequate allowable growth to help with fixed cost (i.e. utilities and teachers' settlements).
- The district has entered into a long term debt obligation for a QZAB (Qualified Zone Academy Bond) during fiscal 2006. This ten year repayment will occur out of the PPEL fund. The purpose of this loan was to retro fit the high school with geothermal heating and cooling.
- The district has entered into long term indebtedness using SILO dollars. This is a ten year loan and was used for the purpose of retro fitting the high school with geothermal heating and cooling.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tanya Purdy, District Board Secretary/Business Manager, Columbus Community School District, Columbus Junction, Iowa 52738.

Basic Financial Statements

COLUMBUS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

ASSETS	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Cash and cash equivalents			
ISCAP	\$ 1,213,372	\$ -	\$ 1,213,372
Other	1,058,164	64,633	1,122,797
Receivables			
Property tax			
Delinquent	41,577	-	41,577
Succeeding year	3,334,641	-	3,334,641
Accounts receivable	321,462	428	321,890
Accrued interest			
ISCAP	8,406	-	8,406
Other	821	-	821
Due from other governments	214,730	-	214,730
Inventories	-	4,397	4,397
Capital assets, net of accumulated depreciation	<u>8,671,232</u>	<u>16,872</u>	<u>8,688,104</u>
Total assets	<u>14,864,405</u>	<u>86,330</u>	<u>14,950,735</u>
LIABILITIES			
Accounts payable	587,723	365	588,088
Salaries and benefits payable	4,450	-	4,450
Accrued interest payable	25,331	-	25,331
ISCAP warrants payable	1,213,000	-	1,213,000
ISCAP accrued interest payable	7,863	-	7,863
ISCAP unamortized premium	8,683	-	8,683
Deferred revenue			
Succeeding year property tax	3,334,641	-	3,334,641
Other	97,861	-	97,861
Long-term liabilities			
Portion due within one year			
Bonds payable	220,000	-	220,000
Revenue bonds payable	100,000	-	100,000
Capital leases payable	23,103	-	23,103
Early retirement	37,397	-	37,397

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

LIABILITIES (continued)	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Long-term liabilities (continued)			
Portion due after one year			
Bonds payable	\$ 3,190,000	\$ -	\$ 3,190,000
QZAB bonds payable	1,000,000	-	1,000,000
Revenue bonds payable	750,000	-	750,000
Capital leases payable	31,734	-	31,734
Early retirement	37,397	-	37,397
Total liabilities	<u>10,669,183</u>	<u>365</u>	<u>10,669,548</u>
 NET ASSETS			
Invested in capital assets, net of related debt	3,356,395	16,872	3,373,267
Restricted for			
Public educational and recreational levy	324	-	324
Physical plant and equipment levy	11,551	-	11,551
Other special revenue purposes	37,075	-	37,075
Debt service	200,632	-	200,632
Capital projects	220,001	-	220,001
Unrestricted	369,244	69,093	438,337
Total net assets	<u>\$ 4,195,222</u>	<u>\$ 85,965</u>	<u>\$ 4,281,187</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2006

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Total
Functions/Programs						
Governmental activities						
Instruction						
Regular instruction	\$ 3,893,565	\$ 462,224	\$ 971,326	\$ -	\$ (2,460,015)	\$ (2,460,015)
Special instruction	1,836,662	1,543	368,787	-	(1,466,332)	(1,466,332)
Other instruction	586,067	-	8,038	-	(578,029)	(578,029)
	<u>6,316,294</u>	<u>463,767</u>	<u>1,348,151</u>	<u>-</u>	<u>(4,504,376)</u>	<u>(4,504,376)</u>
Support services						
Student services	325,815	-	-	-	(325,815)	(325,815)
Instructional staff services	487,676	-	-	-	(487,676)	(487,676)
Administration services	654,080	-	-	-	(654,080)	(654,080)
Operation and maintenance of plant services	714,413	1,020	-	-	(713,393)	(713,393)
Transportation services	335,155	4,606	-	-	(330,549)	(330,549)
	<u>2,517,139</u>	<u>5,626</u>	<u>-</u>	<u>-</u>	<u>(2,511,513)</u>	<u>(2,511,513)</u>
Non-instructional programs						
Other expenditures						
Facilities acquisition	1,284,375	-	-	290,547	(993,828)	(993,828)
Long-term debt interest	189,505	-	-	-	(189,505)	(189,505)
AEA flowthrough	303,124	-	303,124	-	-	-
Loss on disposal of assets	3,851	-	-	-	(3,851)	(3,851)
Depreciation (unallocated) *	311,442	-	-	-	(311,442)	(311,442)
	<u>2,092,297</u>	<u>-</u>	<u>303,124</u>	<u>290,547</u>	<u>(1,498,626)</u>	<u>(1,498,626)</u>
Total governmental activities	<u>10,925,730</u>	<u>469,393</u>	<u>1,651,275</u>	<u>290,547</u>	<u>(8,514,515)</u>	<u>(8,514,515)</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2006

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Total Activities
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Nutrition services	\$ 498,144	\$ 159,172	\$ 345,855	\$ -	\$ 6,883	\$ 6,883
Greenhouse	-	1,568	-	-	1,568	1,568
Pool	49,517	23,284	-	-	(26,233)	(26,233)
Total business type activities	547,661	184,024	345,855	-	(17,782)	(17,782)
Total	\$ 11,473,391	\$ 653,417	\$ 1,997,130	\$ 290,547	(17,782)	(8,532,297)
<u>General Revenues</u>						
Property tax levied for						
General purposes						
Capital outlay						
Debt service						
Local option sales and service tax						
Unrestricted state grants						
Contributions and donations						
Unrestricted investment earnings						
Other						
Transfers						
Total general revenues and transfers						
Change in net assets						
Net assets, beginning of year, as corrected						
Net assets, end of year						

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit C

ASSETS	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and pooled investments				
ISCAP	\$ 1,213,372	\$ -	\$ -	\$ 1,213,372
Other	380,918	347,047	330,199	1,058,164
Receivables				
Property tax				
Delinquent	31,136	-	10,441	41,577
Succeeding year	2,581,523	-	753,118	3,334,641
Accounts receivable	320,504	94	864	321,462
Accrued interest				
ISCAP	8,406	-	-	8,406
Other	-	-	821	821
Due from other governments	191,477	23,253	-	214,730
Total assets	<u>\$ 4,727,336</u>	<u>\$ 370,394</u>	<u>\$ 1,095,443</u>	<u>\$ 6,193,173</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 430,394	\$ 150,393	\$ 6,936	\$ 587,723
Salaries and benefits payable	4,450	-	-	4,450
ISCAP warrants payable	1,213,000	-	-	1,213,000
ISCAP accrued interest payable	7,863	-	-	7,863
ISCAP unamortized premium	8,683	-	-	8,683
Deferred revenue				
Succeeding year property tax	2,581,523	-	753,118	3,334,641
Other	97,861	-	-	97,861
Total liabilities	<u>4,343,774</u>	<u>150,393</u>	<u>760,054</u>	<u>5,254,221</u>
 Fund balances				
Reserved for				
Debt service	-	-	225,963	225,963
Unreserved				
Special revenue funds	-	-	109,426	109,426
Other governmental	383,562	220,001	-	603,563
Total fund balances	<u>383,562</u>	<u>220,001</u>	<u>335,389</u>	<u>938,952</u>
Total liabilities and fund balances	<u>\$ 4,727,336</u>	<u>\$ 370,394</u>	<u>\$ 1,095,443</u>	<u>\$ 6,193,173</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2006

Exhibit D

Total fund balances of governmental funds	\$ 938,952
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, and, therefore, are not reported as assets in the governmental funds.	8,671,232
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(25,331)
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,389,631)</u>
Net assets of governmental activities	<u>\$ 4,195,222</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Local sources				
Local tax	\$ 2,669,101	\$ 643,871	\$ 761,069	\$ 4,074,041
Tuition	118,847	-	-	118,847
Other	143,873	15,475	322,305	481,653
State sources	4,982,379	-	448	4,982,827
Federal sources	771,193	290,547	-	1,061,740
Total revenues	<u>8,685,393</u>	<u>949,893</u>	<u>1,083,822</u>	<u>10,719,108</u>
Expenditures				
Current				
Instruction				
Regular instruction	3,796,462	-	131,630	3,928,092
Special instruction	1,832,974	-	-	1,832,974
Other instruction	421,352	-	163,966	585,318
	<u>6,050,788</u>	<u>-</u>	<u>295,596</u>	<u>6,346,384</u>
Support services				
Student services	322,129	-	3,686	325,815
Instructional staff services	458,028	22,715	3,686	484,429
Administration services	627,089	-	31,776	658,865
Operation and maintenance of plant services	650,334	26,240	35,627	712,201
Transportation services	281,926	-	44,718	326,644
	<u>2,339,506</u>	<u>48,955</u>	<u>119,493</u>	<u>2,507,954</u>
Other expenditures				
Facilities acquisition	-	1,551,667	64,980	1,616,647
Long-term debt				
Principal	-	-	309,553	309,553
Interest and fiscal charges	-	-	187,171	187,171
AEA flowthrough	303,124	-	-	303,124
	<u>303,124</u>	<u>1,551,667</u>	<u>561,704</u>	<u>2,416,495</u>
Total expenditures	<u>8,693,418</u>	<u>1,600,622</u>	<u>976,793</u>	<u>11,270,833</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit E

	<u>General</u>	Capital <u>Projects</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (8,025)	\$ (650,729)	\$ 107,029	\$ (551,725)
Other financing sources (uses) Interfund operating transfers	<u> -</u>	<u>(133,516)</u>	<u>109,945</u>	<u>(23,571)</u>
Net change in fund balances	(8,025)	(784,245)	216,974	(575,296)
Fund balance, beginning of year as corrected	<u>391,587</u>	<u>1,004,246</u>	<u>118,415</u>	<u>1,514,248</u>
Fund balance, end of year	<u>\$ 383,562</u>	<u>\$ 220,001</u>	<u>\$ 335,389</u>	<u>\$ 938,952</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances-Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2006

Exhibit F

Net change in fund balances - total governmental funds \$ (575,296)

Amounts reported for governmental activities in the statement of activities
 are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 421,883	
Loss on disposal of capital assets	(3,851)	
Depreciation expense	<u>(417,545)</u>	487

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Asset. Current year issues exceeded repayments, as follows:

Issued	(57,346)	
Repaid	<u>309,553</u>	252,207

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		37,397
------------------	--	--------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (2,334)

Change in net assets of governmental activities \$ (287,539)

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2006

Exhibit G

	<u>Nonmajor Enterprise</u>
ASSETS	
Cash and pooled investments	\$ 77,752
Accounts receivable	428
Inventories	4,397
Capital assets, net of accumulated depreciation	<u>16,872</u>
Total assets	<u>99,449</u>
 LIABILITIES	
Warrants issued in excess of bank balance	13,119
Accounts payable	<u>365</u>
Total liabilities	<u>13,484</u>
 NET ASSETS	
Invested in capital assets, net of related debt	16,872
Unrestricted	<u>69,093</u>
Total net assets	<u>\$ 85,965</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 184,024</u>
Operating expenses	
Non-instructional programs	
Salaries	226,404
Benefits	46,715
Purchased services	38,012
Supplies	229,398
Miscellaneous	1,514
Depreciation	<u>5,618</u>
Total operating expenses	<u>547,661</u>
Operating loss	<u>(363,637)</u>
Non-operating revenue	
Interest income	343
State sources	40,778
Federal sources	<u>305,077</u>
Total non-operating revenue	<u>346,198</u>
Loss before transfers	(17,439)
Transfers in	<u>23,571</u>
Net income	6,132
Net assets, beginning of year	<u>79,833</u>
Net assets, end of year	<u>\$ 85,965</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of meals	\$ 160,637
Cash received from sale of other services	23,838
Cash payments to employees for services	(273,119)
Cash payments to suppliers for goods and services	<u>(244,181)</u>
Net cash used in operating activities	<u>(332,825)</u>
Cash flows from non-capital financing activities	
State grants received	40,778
Federal grants received	<u>275,591</u>
Net cash provided by non-capital financing activities	<u>316,369</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(154)</u>
Cash flows from investing activities	
Interfund operating transfers in	23,570
Interest on investments	<u>343</u>
Net cash provided by investing activities	<u>23,913</u>
Net increase in cash and cash equivalents	7,303
Cash and cash equivalents, beginning of year	<u>70,449</u>
Cash and cash equivalents, end of year	<u><u>\$ 77,752</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (363,637)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,618
Commodities used	29,486
Decrease in accounts receivable	451
Decrease in inventories	1,999
(Decrease) in due to other fund	(3,669)
(Decrease) in accounts payable	<u>(3,073)</u>
Net cash used in operating activities	<u><u>\$ (332,825)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2006, the District received \$29,486 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

Exhibit J

	<u>Private Purpose Trust</u>	<u>Scholarships</u> <u>Agency</u>
Assets		
Cash and pooled investments	<u>\$4,167</u>	<u>\$ 106</u>
Liabilities		
Accounts payable	1,233	-
Due to others	<u>-</u>	<u>106</u>
Total liabilities	<u>1,233</u>	<u>106</u>
Net assets		
Reserved for scholarships	<u>\$2,934</u>	<u>\$ -</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2006

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$ 15,332
Deductions	
Support services	
Student support services	<u>16,332</u>
Change in net assets	(1,000)
Net assets, beginning of year	<u>3,934</u>
Net assets, end of year	<u>\$ 2,934</u>

See notes to financial statements and Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies

The Columbus Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Columbus Junction, Columbus City, Conesville, Cotter and Fredonia, Iowa, and the agricultural territory in Louisa and Muscatine Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Columbus Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District 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 District are such that exclusion would cause the District'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 District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Columbus Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally 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 Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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 two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are 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 expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports no major proprietary fund.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include of the following:

The Private-purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals and private organizations. The Agency Fund is custodial in nature, assets equal liabilities and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, early retirement and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$2,500
Buildings	\$2,500
Improvements other than buildings	\$2,500
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	10-40 years
Improvements other than buildings	10-20 years
Furniture and equipment	5-15 years

Early Retirement - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2006. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures exceeded the amount budgeted in the Other Expenditures function. However, the District did not exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District'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 District 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 Board of Education; 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 District had no investments at June 30, 2006.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 133,516
Debt Service	Physical Plant and Equipment Levy	187,987
Enterprise, Pool	Public Education and Recreation Levy	23,571
Total		<u>\$ 345,074</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2005-06B	1/26/06	1/26/07	\$ 402,400	\$ 8,154	\$ 401,000	\$ 7,663	\$ 2,504
2006-07A	6/28/06	6/28/07	<u>810,972</u>	<u>252</u>	<u>812,000</u>	<u>200</u>	<u>6,179</u>
			<u>\$ 1,213,372</u>	<u>\$ 8,406</u>	<u>\$ 1,213,000</u>	<u>\$ 7,863</u>	<u>\$ 8,683</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In additions, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General fund for the year ended June 30, 2006 is as follows:

<u>Series</u>	<u>Balance, Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance, End of Year</u>
2005-06A	\$ -	\$ 500,000	\$ 500,000	\$ -

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2005-06A	4.000%	3.9030%
2005-06B	4.500%	4.7720%
2006-07A	4.500%	5.6760%

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 406,285	\$ -	\$ -	\$ 406,285
Construction in progress	<u>1,261,332</u>	<u>223,066</u>	<u>(1,261,332)</u>	<u>223,066</u>
Total capital assets not being depreciated	<u>1,667,617</u>	<u>223,066</u>	<u>(1,261,332)</u>	<u>629,351</u>
Capital assets being depreciated:				
Buildings and improvements	8,693,431	1,358,403	-	10,051,834
Improvements other than buildings	936,779	16,725	-	953,504
Furniture and equipment	<u>1,326,246</u>	<u>85,021</u>	<u>(40,078)</u>	<u>1,371,189</u>
Total capital assets being depreciated	<u>10,956,456</u>	<u>1,460,149</u>	<u>(40,078)</u>	<u>12,376,527</u>
Less accumulated depreciation for:				
Buildings and improvements	2,688,135	248,370	-	2,936,505
Improvements other than buildings	449,024	46,099	-	495,123
Furniture and equipment	<u>816,169</u>	<u>123,076</u>	<u>(36,227)</u>	<u>903,018</u>
Total accumulated depreciation	<u>3,953,328</u>	<u>417,545</u>	<u>(36,227)</u>	<u>4,334,646</u>
Total capital assets being depreciated, net	<u>7,003,128</u>	<u>1,042,604</u>	<u>(3,851)</u>	<u>8,041,881</u>
Governmental activities capital assets, net	<u>\$ 8,670,745</u>	<u>\$ 1,265,670</u>	<u>\$(1,265,183)</u>	<u>\$ 8,671,232</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 78,646	\$ 711	\$ (1,368)	\$ 77,989
Less accumulated depreciation	<u>56,310</u>	<u>5,618</u>	<u>(811)</u>	<u>61,117</u>
Business type activities capital assets, net	<u>\$ 22,336</u>	<u>\$ (4,907)</u>	<u>\$ (557)</u>	<u>\$ 16,872</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction		
Regular		\$ 24,356
Special		3,688
Other		749
Support services		
Instructional staff		3,247
Administration		559
Operation and maintenance of plant		2,212
Transportation		71,292
Unallocated		<u>311,442</u>
Total governmental activities depreciation expense		<u>\$ 417,545</u>

Business type activities

Food services		<u>\$ 5,618</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 3,620,000	\$ -	\$(210,000)	\$ 3,410,000	\$ 220,000
Revenue bonds	850,000	-	-	850,000	100,000
QZAB loan	1,000,000	-	-	1,000,000	-
Bank loans	78,399	-	(78,399)	-	-
Capital leases	18,645	57,346	(21,154)	54,837	23,103
Early retirement	<u>112,191</u>	<u>-</u>	<u>(37,397)</u>	<u>74,794</u>	<u>37,397</u>
Totals	<u>\$ 5,679,235</u>	<u>\$ 57,346</u>	<u>\$(346,950)</u>	<u>\$ 5,389,631</u>	<u>\$ 380,500</u>

Qualified Zone Academy Bonds

The District issued \$1,000,000 of qualified zone academy bonds in December 2004. The bonds were issued to finance a geothermal HVAC project that has been designated as a qualified zone academy project. The bonds are interest free and the entire balance is due on December 15, 2015. Beginning December 15, 2005 the District will be required to place eleven annual payments of \$82,175 into an escrow account, which has a 2% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature. The annual payments to the escrow account will be made from the Physical Plant and Equipment Levy Fund.

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Issued 12-1-98				
Year Ending	Interest			
<u>June 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.15%	\$ 220,000	\$ 150,597	\$ 370,597
2008	4.15%	230,000	141,468	371,468
2009	4.15%	240,000	131,922	371,922
2010	4.20%	250,000	121,963	371,963
2011	4.25%	260,000	111,462	371,462
2012	4.25%	275,000	100,413	375,413
2013	4.35%	285,000	88,725	373,725
2014	4.50%	300,000	76,327	376,327
2015	4.55%	315,000	62,827	377,827
2016	4.60%	330,000	48,495	378,495
2017	4.70%	345,000	33,315	378,315
2018	4.75%	360,000	17,100	377,100
Totals		<u>\$ 3,410,000</u>	<u>\$ 1,084,614</u>	<u>\$ 4,494,614</u>

Revenue Bonds Payable

On March 1, 2005, the District issued School Infrastructure Sales and Services Tax Revenue Bonds. The proceeds of the bonds are to be used for a geothermal HVAC project. The bonds will be repaid by the collection of the local option sales and services tax for school infrastructure. The bonds were for \$850,000 and are secured by a Reserve Fund, which was established under the Bond Resolution. A Sinking Fund has been established into which collections of the local option sales and services tax revenues will be deposited. Interest and principal on the bonds will be paid from the Sinking Fund. Details of the District's June 30, 2006 revenue bonded indebtedness are as follows:

Year	Bond issue of 3-1-05			
Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	2.55	\$ 24,288	\$ 100,000	\$ 124,288
2008	2.65	21,555	110,000	131,555
2009	2.75	18,517	115,000	133,517
2010	2.95	15,239	115,000	130,239
2011	3.10	11,682	120,000	131,682
2012	3.20	8,622	75,000	83,622
2013	3.35	6,250	70,000	76,250
2014	3.45	3,870	70,000	73,870
2015	3.55	1,331	75,000	76,331
Totals		<u>\$ 111,354</u>	<u>\$ 850,000</u>	<u>\$ 961,354</u>

Capital Leases

The District has entered into contractual agreements to lease copiers. These agreements represent lease-purchase agreements and, in substance, are capital leases as ownership of the property transfers to the District at the end of the lease terms. A schedule of future minimum lease payments and the present value of net minimum lease payments as of June 30, 2006 is as follows:

Year Ending <u>June 30,</u>	<u>Payments</u>
2007	\$ 23,103
2008	21,655
2009	6,456
2010	<u>3,623</u>
	<u>\$ 54,837</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-nine years of age and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2006, totaled \$37,397.

Note 7. Pension and Retirement Benefits

The District 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, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$313,804, \$306,151 and \$298,404, respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District 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 District 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 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$303,124 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Beginning Balance Correction

During the year ended June 30, 2006, the District discovered errors relating to the General Fund balance reported the prior fiscal year. Therefore, the beginning balances of the General Fund and the Governmental Activities have been decreased by \$67,766.

Required Supplementary Information

COLUMBUS COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 4,674,541	\$ 184,367	\$ 4,858,908	\$ 4,124,097	\$ 4,124,097	\$ 734,811
State sources	4,982,827	40,778	5,023,605	5,182,127	5,182,127	(158,522)
Federal sources	1,061,740	305,077	1,366,817	1,074,176	1,848,009	(481,192)
Total revenues	<u>10,719,108</u>	<u>530,222</u>	<u>11,249,330</u>	<u>10,380,400</u>	<u>11,154,233</u>	<u>95,097</u>
Expenditures						
Instruction	6,346,384	-	6,346,384	6,295,100	6,751,950	405,566
Support services	2,507,954	-	2,507,954	2,385,680	2,702,663	194,709
Non-instructional programs	-	547,661	547,661	624,985	624,985	77,324
Other expenditures	2,416,495	-	2,416,495	1,526,883	2,232,897	(183,598)
Total expenditures	<u>11,270,833</u>	<u>547,661</u>	<u>11,818,494</u>	<u>10,832,648</u>	<u>12,312,495</u>	<u>494,001</u>
Deficiency of revenues under expenditures	(551,725)	(17,439)	(569,164)	(452,248)	(1,158,262)	589,098
Other financing sources, net	<u>(23,571)</u>	<u>23,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(575,296)	6,132	(569,164)	(452,248)	(1,158,262)	589,098
Balance, beginning of year, as corrected	1,514,248	79,833	1,594,081	2,024,400	2,024,400	(430,319)
Balance, end of year	<u>\$ 938,952</u>	<u>\$ 85,965</u>	<u>\$ 1,024,917</u>	<u>\$ 1,572,152</u>	<u>\$ 866,138</u>	<u>\$ 158,779</u>

See accompanying Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2006

This 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 Capital Projects Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,479,847.

During the year ended June 30, 2006, District expenditures exceeded the amount budgeted in the Other Expenditures function. However, General Fund expenditures did not exceed the unspent authorized budget.

Other Supplementary Information

COLUMBUS COMMUNITY SCHOOL DISTRICT
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2006

Schedule 1

	Special Revenue					Total
	Management	Student Activity	Physical Plant and Equipment Levy	Public Education & Recreation Levy	Debt Service	
ASSETS						
Cash and pooled investments	\$ 57,817	\$ 38,333	\$ 13,970	\$ 1	\$ 220,078	\$ 330,199
Receivables						
Property tax						
Delinquent	2,659	-	2,395	323	5,064	10,441
Succeeding year	175,000	-	181,511	26,009	370,598	753,118
Accounts receivable	-	864	-	-	-	864
Accrued interest	-	-	-	-	821	821
Total assets	<u>\$235,476</u>	<u>\$ 39,197</u>	<u>\$ 197,876</u>	<u>\$ 26,333</u>	<u>\$ 596,561</u>	<u>\$ 1,095,443</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 2,122	\$ 4,814	\$ -	\$ -	\$ 6,936
Deferred revenue						
Succeeding year property tax	175,000	-	181,511	26,009	370,598	753,118
Total liabilities	<u>175,000</u>	<u>2,122</u>	<u>186,325</u>	<u>26,009</u>	<u>370,598</u>	<u>760,054</u>
Fund balances						
Reserved for debt service	-	-	-	-	225,963	225,963
Unreserved	60,476	37,075	11,551	324	-	109,426
Total fund balances	<u>60,476</u>	<u>37,075</u>	<u>11,551</u>	<u>324</u>	<u>225,963</u>	<u>335,389</u>
Total liabilities and fund balances	<u>\$235,476</u>	<u>\$ 39,197</u>	<u>\$ 197,876</u>	<u>\$ 26,333</u>	<u>\$ 596,561</u>	<u>\$ 1,095,443</u>

See accompanying Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2006

	Special Revenue					<u>Total</u>
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Public Education & Recreation Levy	Debt Service	
Revenues						
Local sources						
Local taxes	\$ 193,521	-	\$ 174,652	\$ 23,527	\$ 369,369	\$ 761,069
Other	67,482	183,047	67,739	27	4,010	322,305
State sources	114	-	103	14	217	448
Total revenues	<u>261,117</u>	<u>183,047</u>	<u>242,494</u>	<u>23,568</u>	<u>373,596</u>	<u>1,083,822</u>

Expenditures						
Current						
Instruction						
Regular program instruction	131,630	-	-	-	-	131,630
Other instruction	-	163,966	-	-	-	163,966
Support services						
Student services	3,686	-	-	-	-	3,686
Instructional staff services	3,686	-	-	-	-	3,686
Administration services	17,147	14,629	-	-	-	31,776
Operation and maintenance of plant services	35,627	-	-	-	-	35,627
Transportation services	44,718	-	-	-	-	44,718

See accompanying Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2006

	Special Revenue					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Public Education & Recreation Levy	Debt Service	
Expenditures (continued)						
Other expenditures						
Facilities acquisition and construction	\$ -	\$ -	\$ 64,980	\$ -	\$ -	\$ 64,980
Long-term debt: Principal	-	-	-	-	309,553	309,553
Interest and fiscal charges	-	-	-	-	187,171	187,171
Total expenditures	<u>236,494</u>	<u>178,595</u>	<u>64,980</u>	<u>-</u>	<u>496,724</u>	<u>976,793</u>
Excess (deficiency) of revenues over (under) expenditures	24,623	4,452	177,514	23,568	(123,128)	107,029
Other financing sources (uses) Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(187,987)</u>	<u>(23,571)</u>	<u>321,503</u>	<u>109,945</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing (uses)	24,623	4,452	(10,473)	(3)	198,375	216,974
Fund balances, end of year	<u>35,853</u>	<u>32,623</u>	<u>22,024</u>	<u>327</u>	<u>27,588</u>	<u>118,415</u>
Fund balances, end of year	<u>\$ 60,476</u>	<u>\$ 37,075</u>	<u>\$ 11,551</u>	<u>\$ 324</u>	<u>\$ 225,963</u>	<u>\$ 335,389</u>

See accompanying Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Combining Statement of Fund Net Assets
Nonmajor Enterprise Funds
June 30, 2006

Schedule 3

	<u>School</u>	<u>Greenhouse</u>	<u>Pool</u>	<u>Total</u>
	<u>Nutrition</u>			
ASSETS				
Cash and pooled investments	\$ 76,184	\$ 1,568	\$ -	\$ 77,752
Accounts receivable	103	-	325	428
Inventories	4,397	-	-	4,397
Capital assets, net of accumulated depreciation	<u>16,872</u>	<u>-</u>	<u>-</u>	<u>16,872</u>
Total assets	<u>97,556</u>	<u>1,568</u>	<u>325</u>	<u>99,449</u>
LIABILITIES				
Warrants issued in excess of bank balance	-	-	13,119	13,119
Accounts payable	<u>240</u>	<u>-</u>	<u>125</u>	<u>365</u>
Total liabilities	<u>240</u>	<u>-</u>	<u>13,244</u>	<u>13,484</u>
NET ASSETS				
Invested in capital assets, net of related debt	16,872	-	-	16,872
Unrestricted	<u>80,444</u>	<u>1,568</u>	<u>(12,919)</u>	<u>69,093</u>
Total net assets	<u>\$ 97,316</u>	<u>\$ 1,568</u>	<u>\$ (12,919)</u>	<u>\$ 85,965</u>

See accompanying Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2006

Schedule 4

	<u>School Nutrition</u>	<u>Greenhouse</u>	<u>Pool</u>	<u>Total</u>
Operating revenue				
Local sources				
Charges for service	<u>\$ 159,172</u>	<u>\$ 1,568</u>	<u>\$ 23,284</u>	<u>\$ 184,024</u>
Operating expenses				
Non-instructional programs				
Salaries	205,537	-	20,867	226,404
Benefits	44,572	-	2,143	46,715
Purchased services	15,402	-	22,610	38,012
Supplies	226,051	-	3,347	229,398
Miscellaneous	964	-	550	1,514
Depreciation	<u>5,618</u>	-	-	<u>5,618</u>
Total operating expenses	<u>498,144</u>	<u>-</u>	<u>49,517</u>	<u>547,661</u>
Operating income (loss)	<u>(338,972)</u>	<u>1,568</u>	<u>(26,233)</u>	<u>(363,637)</u>
Non-operating revenue				
Interest income	343	-	-	343
State sources	40,778	-	-	40,778
Federal sources	<u>305,077</u>	<u>-</u>	<u>-</u>	<u>305,077</u>
Total non-operating revenue	<u>346,198</u>	<u>-</u>	<u>-</u>	<u>346,198</u>
Income (loss) before transfers	7,226	1,568	(26,233)	(17,439)
Transfers in	<u>-</u>	<u>-</u>	<u>23,571</u>	<u>23,571</u>
Net income (loss)	7,226	1,568	(2,662)	6,132
Net assets, beginning of year	<u>90,090</u>	<u>-</u>	<u>(10,257)</u>	<u>79,833</u>
Net assets, end of year	<u>\$ 97,316</u>	<u>\$ 1,568</u>	<u>\$ (12,919)</u>	<u>\$ 85,965</u>

See accompanying Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2006

Schedule 5

	School <u>Nutrition</u>	<u>Greenhouse</u>	<u>Pool</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from sale of meals	\$ 159,069	\$ 1,568	\$ -	\$ 160,637
Cash received from sale of other services	-	-	23,838	23,838
Cash payments to employees for services	(250,109)	-	(23,010)	(273,119)
Cash payments to suppliers for goods & services	<u>(212,387)</u>	<u>-</u>	<u>(31,794)</u>	<u>(244,181)</u>
Net cash provided by (used in) operating activities	<u>(303,427)</u>	<u>1,568</u>	<u>(30,966)</u>	<u>(332,825)</u>
Cash flows from non-capital financing activities				
State grants received	40,778	-	-	40,778
Federal grants received	<u>275,591</u>	<u>-</u>	<u>-</u>	<u>275,591</u>
Net cash provided by non-capital financing activities	<u>316,369</u>	<u>-</u>	<u>-</u>	<u>316,369</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	<u>(154)</u>	<u>-</u>	<u>-</u>	<u>(154)</u>
Cash flows from investing activities				
Interfund operating transfers in	-	-	23,570	23,570
Interest on investments	<u>343</u>	<u>-</u>	<u>-</u>	<u>343</u>
Net cash provided by investing activities	<u>343</u>	<u>-</u>	<u>23,570</u>	<u>23,913</u>
Net increase (decrease) in cash and cash equivalents	13,131	1,568	(7,396)	7,303
Cash and cash equivalents, beginning of year	63,053	-	7,396	70,449
Cash and cash equivalents, end of year	<u>\$ 76,184</u>	<u>\$ 1,568</u>	<u>\$ -</u>	<u>\$ 77,752</u>

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities

Operating income (loss)	\$ (338,972)	\$ 1,568	\$ (26,232)	\$ (363,636)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	5,618	-	-	5,618
Commodities used	29,486	-	-	29,486
(Increase) decrease in accounts receivable	(103)	-	554	451
Decrease in inventories	1,998	-	-	1,998
(Decrease) in due to other fund	-	-	(3,669)	(3,669)
Increase (decrease) in accounts payable	<u>(1,454)</u>	<u>-</u>	<u>(1,619)</u>	<u>(3,073)</u>
Net cash provided by (used in) operating activities	<u>\$ (303,427)</u>	<u>\$ 1,568</u>	<u>\$ (30,966)</u>	<u>\$ (332,825)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2006, the District received \$29,486 of federal commodities.

See accompanying Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
For the Year Ended June 30, 2006

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Interest	\$ 285	\$ 235	\$ -	\$ (285)	\$ 235
HS pop	2,667	12,749	10,095	(2,667)	2,654
Recycle pop cans	899	-	-	-	899
Elementary pop	3,707	4,069	4,076	121	3,821
Fitness pop	(1,031)	1,476	1,384	1,031	92
Crazy Carmel Corn	1,422	-	666	-	756
Revolving	1,117	-	-	(1,117)	-
Elementary playground	9,686	3,451	9,845	-	3,292
MS fundraisers	6,704	14,914	10,543	-	11,075
HS fundraisers	2,339	2,281	2,104	-	2,516
Athletics	(28,132)	58,875	49,013	4,602	(13,668)
Speech and drama	(126)	541	1,242	143	(684)
Annual	(3,202)	4,882	5,530	(40)	(3,890)
Band activity	1,294	21,317	21,739	(16)	856
Vocal activity	1,505	20,465	19,954	-	2,016
Science and math	451	2,250	2,315	-	386
Cheerleaders	(137)	1,445	2,035	276	(451)
Dance team	25	-	-	(25)	-
FCCLA	387	7,961	7,134	-	1,214
FFA	4,316	15,789	18,248	-	1,857
Indian Slough project	17,122	-	2,596	-	14,526
NHS	1,637	162	1,358	1,117	1,558
BPA	968	1,419	1,074	-	1,313
Student council	1,501	1,823	1,850	-	1,474
Class of					
2005	1,431	-	-	(1,431)	-
2006	1,895	-	-	(1,717)	178
2007	1,356	951	1,993	-	314
2008	-	1,114	349	400	1,165
Medical Fund	-	875	-	417	1,292
United fund	189	-	-	(189)	-
Book fair	141	3,453	3,452	-	142
Needy families	228	-	-	(228)	-
Close Up	1,587	550	-	-	2,137
Summer art	250	-	-	(250)	-
Activity club	142	-	-	(142)	-
Totals	<u>\$ 32,623</u>	<u>\$ 183,047</u>	<u>\$ 178,595</u>	<u>\$ -</u>	<u>\$ 37,075</u>

See accompanying Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

Schedule 7

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Local sources				
Local tax	\$ 4,074,041	\$ 3,604,805	\$ 3,346,463	\$ 3,277,051
Tuition	118,847	116,089	149,357	148,631
Other	481,653	393,851	417,144	481,473
State sources	4,982,827	5,071,177	4,738,819	4,879,966
Federal sources	1,061,740	1,042,930	937,005	846,166
Total revenues	<u>\$ 10,719,108</u>	<u>\$ 10,228,852</u>	<u>\$ 9,588,788</u>	<u>\$ 9,633,287</u>
Expenditures				
Instruction				
Regular instruction	3,928,092	4,077,526	3,724,275	3,761,410
Special instruction	1,832,974	1,075,122	1,744,199	1,564,312
Other instruction	585,318	1,037,128	620,153	622,792
Support services				
Student services	325,815	297,838	90,198	143,266
Instructional staff services	484,429	488,836	402,674	356,831
Administration services	658,865	597,866	609,438	679,131
Operation and maintenance of plant services	712,201	716,645	685,785	733,809
Transportation services	326,644	353,091	324,195	216,706
Central support services	-	-	11,475	-
Non-instructional programs	-	-	174,882	204,054
Other expenditures				
Facilities acquisition	1,616,647	1,436,015	45,838	160,845
Long-term debt				
Principal	309,553	484,403	362,255	317,473
Interest and other charges	187,171	189,510	199,401	206,194
AEA flowthrough	303,124	304,877	296,901	310,382
Total expenditures	<u>\$ 11,270,833</u>	<u>\$ 11,058,857</u>	<u>\$ 9,291,669</u>	<u>\$ 9,277,205</u>

See accompanying Independent Auditor's Report.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Schedule 8

Grantor/Program	<u>CFDA</u>	<u>Pass-through</u>	<u>Program</u>
Indirect			
U.S. Department of Agriculture			
Iowa Department of Education			
Food distribution program (non-cash)	10.500	FY05	\$ 29,486
National School Breakfast Program	10.553	FY05	63,652
National School Lunch Program	10.555	FY05	211,938
State Administrative Matching Grants for Food Stamp Programs	10.561	FY06	<u>16,361</u>
Total Department of Agriculture			<u>321,437</u>
U.S. Department of Education			
Iowa Department of Education			
Comprehensive School Reform Demonstration grant High Schools That Work	84.332	FY06	32,212
Comprehensive School Reform Demonstration grant Middle Schools That Work	84.332	FY06	<u>26,194</u>
			<u>58,406</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY06	4,545
Basic State Grants Program - Migrant Education	84.011	FY06	40,214
Title I Grants to Local Educational Agencies	84.010	FY06	220,911
Innovative Education Program Strategies (Title V)	84.298	FY06	10,496
Grants for State Assessments and Related Activities (Title VI A)	84.369	FY06	6,957
Title II A - Federal Teacher Quality Program	84.367	FY06	37,547
Reading First State Grants	84.357	FY06	213,584
Enhancing Education Through Technology (Title II D)	84.318	FY06	<u>7,261</u>
Total Iowa Department of Education			<u>599,921</u>
Area Education Agency			
Special Education - Part B funding	84.027	FY06	62,961
Early Literacy	84.359	FY06	46,905
Title III - English Language Acquisition State Grants	84.365	FY06	<u>22,142</u>
Total Area Education Agency			<u>132,008</u>
Total Department of Education			<u>731,929</u>
Total federal awards			<u>\$1,053,366</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Columbus Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

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 Board of Education
Columbus Community School District

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 Columbus Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 13, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I 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 District'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 II of the accompanying Schedule of Findings and Questioned Costs.

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 item 06-II-A Segregation of Duties, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Columbus Community School District'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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District'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 District. 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 Columbus Community School District and other parties to whom the District may report. 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 the personnel of the Columbus Community School District 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.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
October 13, 2006

KAY L. CHAPMAN, CPA PC

119 Sycamore Street, Suite 100

Muscatine, Iowa 52761

563-264-1385

Independent Auditor's Report on Compliance with Requirements Applicable
to Each major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the Board of Education
Columbus Community School District
Columbus Junction, Iowa

Compliance

I have audited the compliance of Columbus Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Columbus Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Columbus Community School District's management. My responsibility is to express an opinion on Columbus Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Columbus Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Columbus Community School District's compliance with those requirements.

In my opinion Columbus Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Columbus Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Columbus Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I 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 compliance that, in my judgment, could adversely affect Columbus Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a 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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program 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 compliance 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, I believe item 06-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Columbus Community School District and other parties to whom the District 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.



Kay L. Chapman, CPA PC
October 13, 2006

COLUMBUS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Part I. Summary of the Independent Auditor's Results

1. Unqualified opinions were issued on the financial statements.
2. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
3. The audit did not disclose any noncompliance which is material to the financial statements.
4. A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - CFDA Number 84.332 Comprehensive School Reform Demonstration Grant
 - CFDA Number 84.357 Reading First State Grants
 - Clustered programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Columbus Community School District did not qualify as a low-risk auditee.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Part II. Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

06-II-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. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

06-II-B Related Organizations - I noted that the District does not receive any financial information from related organizations (such as booster clubs and PTO) on an annual basis.

Recommendation - The District should receive financial statements from these related organizations at least annually so that the District can determine whether the organization is a component unit for purposes of financial reporting in accordance with U.S. Generally Accepted Accounting Principles. It would also serve to enhance communication and cooperation between the District and these support organizations by making the school board aware of the support organizations' fundraising and supportive projects. It would also provide the school board with an opportunity to thank the related organizations for the support that they provide the District throughout the year.

Response and Corrective Action Planned - We will request financial information from all organizations that have been established for the benefit of the District or its students on an annual basis.

Conclusion - Response accepted.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

CFDA Number 84.332 Comprehensive School Reform Demonstration Grant
Federal Award Year: 2006
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553 School Breakfast Program
CFDA Number 10.555 National School Lunch Program
Federal Award Year: 2006
U.S. Department of Agriculture
Passed through the Iowa Department of Education

06-III-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. The cash receipts and disbursements, bank deposits and bank account reconciliations were all handled by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We have reviewed procedures and plan to make the necessary changes, as we deem necessary, to improve internal control.

Conclusion - Response accepted.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Part IV. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the amounts budgeted in the Other Expenditures functional area.

Recommendation - The District should have amended the budget in sufficient amounts before expenditures were allowed to exceed the budget.

Response - We will be more attentive of this in the future and amend the budget in sufficient amounts, as necessary.

Conclusion - Response accepted.

2. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District 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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board. However, it was noted that the October minutes for a closed session did not include a reference to the Code of Iowa chapter that authorizes the closed session.

Recommendation - Chapter 21.5 of the Code of Iowa requires that a reference to the specific Code of Iowa exemption authorizing a closed session be included in the minutes. The District should ensure that this reference be included in the minutes when entering into closed sessions.

Response - This was an oversight. We will include the required reference in the minutes for all closed sessions in the future.

Conclusion - Response accepted.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was certified with the Department of Education timely and I noted no material errors in the amounts reported.
10. Financial Condition - The District had an unreserved, undesignated deficit in the Enterprise Fund, Pool Fund of \$12,919 at June 30, 2006.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - We will review these situations and implement changes, as needed.

Conclusion - Response accepted.

COLUMBUS COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2006

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant

COLUMBUS COMMUNITY SCHOOL DISTRICT
 Corrective Action Plan for Federal Audit Findings
 For the Year Ended June 30, 2006

Comment Number	Comment Title	Corrective Action Plan	Contact Person	Anticipated Date of Completion
06-III-A	Segregation of Duties	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Tanya Purdy Business Manager 319-728-2911	8-1-07

COLUMBUS COMMUNITY SCHOOL DISTRICT
Summary Schedule of Prior Federal Audit Findings
For the Year Ended June 30, 2006

Comment Number	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
05-III-A	Segregation of Duties	Not corrected.	Plan to investigate possible ways to further segregate duties.